THE MANUFACTURING AND TRADE SECTORS IN QUÉBEC IN 1987

OUTLOOK FOR 1988

MINISTÈRE DE L'INDUSTRIE ET DU COMMERCE

QUÉBEC, JANUARY 1988

Québec

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Gouvernement du Québec
Ministère de l'Industrie
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INTRODUCTION

INTRODUCTION

In 1987, the 2.75% growth in the real GDP of the **OECD** countries was more sustained than expected. The overall unemployment rate for the OECD countries declined because of the substantial increase in employment in North America. Wage rates rose 4.5% in the private sector as a whole but by only 3% in manufacturing. Growth in unit labour costs in manufacturing industries remained weak. The period of slowdown in inflation appears to have ended; upward pressure exerted by import prices pushed the inflation rate up slightly.

Massive reductions in imports by the OPEC countries and by developing countries slowed the growth of world trade. At the same time, the realignment of exchange rates brought about major adjustments in trade. Japanese and German exporters lost market shares in manufactured products. Gains were achieved by the United

INTERNATIONAL ECONOMIC SITUATION

	Real GDP		Employment		Inflation (1)		Unemployment rate	
	1986	1987	1986	1987	1986	1987	1986	1987
	(percentage change)							
Canada	3.3	3.8	2.9	2.7	4.2	4.25	9.6	8.9
United States	2.9	2.75	2.3	2.75	2.2	4.0	7.0	6.25
Japan	2.4	3.5	0.8	0.75	0.6	0.25	2.8	3.0
West Germany	2.5	1.5	1.0	0.5	-0.5	0.75	8.0	8.0
France	2.0	1.5	-0.1	-0.25	2.5	3.25	10.5	10.75
United Kingdom	3.3	3.75	0.5	1.5	3.6	3.0	11.8	10.75
Italy	2.7	2.75	0.8	0.5	6.1	5.0	10.1	10.75
OECD - Total	2.8	2.75	1.5	1.5	2.9	3.5	8.3	8.0

(1) Private consumption deflators.

SOURCES: OECD, December 1987; MIC.

States and especially by the newly industrialized countries of Asia which continued to preserve their competitiveness in relation to the U.S. dollar and recorded large trade surpluses that were already on the rise.

In the **United States**, economic growth, stronger than expected, was comparable to that achieved in 1986. Industrial output rose 5.2%, the best performance since 1984. Enhanced competitiveness on external markets produced an improvement in employment in the manufacturing industries but it was again in the fast expanding service sector that the majority of the new jobs were created. The unemployment rate dropped to 5.9% at year-end, its lowest level since mid-1979, with no observable impact on wages as yet. The dollar fell to record low levels, its value against the yen and major European currencies sinking to only roughly half that of 1985. Consumer confidence rose in the third quarter to its highest level since the onset of the current upturn. The stock market crash of October '87 caused considerable alarm but produced neither a depression nor even the beginning of a recession; it proved to be a classic market correction, a simple realignment of price-profit ratios to more realistic levels. The plunge in stock prices lessened the threat of a tightening of monetary conditions.

In 1987, **Canada**'s economic performance was the best of the seven major industrialized countries. GPD rose 3.8% in real terms and employment was up 2.7%. The annual unemployment rate declined from 9.6% to 8.9%, the lowest level since 1981. The substantial growth of the Canadian economy was due mainly to strong domestic demand. Consumer spending increased appreciably and housing starts climbed to 245 000 units, their highest level in the last ten years. The external sector contributed little to the growth of the Canadian economy; exports rose by only 2.2% over the first nine months of the year, and imports, by a mere 0.2%. Automobile exports fell 14.0%. Capital spending growth remained firm, buoyed by high capacity utilization rates, appreciable decreases in inventories and profit gains. The inflation rate remained moderate, comparable to that recorded in the United States.

In 1987, **Québec** experienced its fifth consecutive year of economic growth. Real GDP rose 5.0%, the second largest gain since the 1982 recession. For the third year in a row, Québec's economic growth outpaced Canada's. Strong domestic demand was the main factor contributing to the growth in Québec since total Canadian ex-

ports loaded in Québec may not exceed the 1986 level. The consumer price index rose 4.5%.

Québec posted a remarkable gain of 100 100 jobs in 1987. This is the largest increase since 1973, when 125 000 new jobs were created. Employment growth in Québec was stronger than in Ontario and Canada as a whole. Full-time jobs accounted for the entire increase. The unemployment rate declined to 10.3%, from 11.0% in 1986. This improvement was achieved despite a considerable growth in the labour force, the largest increase since 1981. Employment gains were posted in all regions of Québec except the Côte-Nord, which nevertheless saw its unemployment rate decline. Apart from the Estrie and Laurentides regions, the rest of Québec also registered lower unemployment rates. Employment growth was greater than 6% in the Bas-Saint-Laurent, Outaouais, de Lanaudière and Montérégie regions.

For the fifth consecutive year, capital expenditures in Québec rose more rapidly than in Canada as a whole, which is proof of the vitality shown by the Québec economy since the last recession. Ontario's even better showing can be attributed mainly to the additional amounts spent in that province by public institutions and government departments, a category which includes the federal and municipal governments, whose capital expenditures showed a larger increase in Ontario than in Québec. In 1987, Québec's share of total capital expenditures in Canada reached 22.1%, compared to 17.1% in 1982. Residential construction soared to an unprecedented level of 74 000 housing starts, breaking the previous record of 68 748 starts, set in 1976.

Let us now examine in detail the recent situation in Québec's manufacturing and trade sectors, which are primarily the concerns of the ministère de l'Industrie et du Commerce.

ECONOMIC INDICATORS
QUEBEC, ONTARIO, CANADA
1986-1987

	GDP		EMPLOYMENT		UNEMPLOYED		CAPITAL EXPENDITURES		HOUSING STARTS (centres 10 000+)	
	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987
	(millions of $)		(thousands)		(thousands)		(millions of $)		(number)	
QUEBEC	103 921	113 482	2 865.4	2 965.5	355.8	340.8	20 862.2	23 400.2	52 663	66 721
ONTARIO	176 657	192 556	4 554.8	4 706.2	342.0	306.8	37 710.4	43 307.5	71 913	93 978
CANADA	453 980	492 569	11 634.4	11 954.3	1 235.9	1 166.9	95 707.6	106 053.7	170 863	215 368

SOURCES: The Conference Board of Canada; Statistics Canada; CMHC; Direction de l'analyse économique et des relations internationales, MIC.

ECONOMIC PERFORMANCE COMPARISON
QUEBEC, ONTARIO, CANADA
1986-1987
(percentage change)

	REAL GDP		EMPLOYMENT		UNEMPLOYMENT RATE		CAPITAL EXPENDITURES		CPI (1)	
	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987
QUEBEC	3.3	5.0	2.2	3.5	11.0	10.3	8.4	12.2	4.9	4.5
ONTARIO	4.7	5.3	3.5	3.3	7.0	6.1	18.3	14.8	4.7	5.6
CANADA	3.2	3.8	2.9	2.7	9.6	8.9	5.7	10.8	4.2	4.4

(1) Consumer price index, Montréal, Toronto, Canada.
SOURCES: The Conference Board of Canada; Statistics Canada; Direction de l'analyse économique et des relations internationales, MIC.

MAIN ECONOMIC INDICATORS
QUEBEC
1986-1987
(percentage change)

INDUSTRY	REAL GDP 1986	REAL GDP 1987	EMPLOYMENT 1986	EMPLOYMENT 1987	CAPITAL EXPENDITURES 1986	CAPITAL EXPENDITURES 1987	WAGES 1986	WAGES 1987 (10 months)
Agriculture	4.6	0.9	-3.4	-7.2	-9.0	-6.5	-3.2	3.7
Other primary industries	-3.5	5.5	0.7	-7.7	-8.5	-9.5	-2.5	6.4
Manufacturing	1.8	5.5	3.0	1.5	7.1	14.4	6.7	7.5
Construction	4.4	8.4	12.3	13.3	20.8	10.8	8.4	8.9
Transportation, communication and other utilities	2.9	5.5	-1.4	6.1	-2.9	21.1	3.0	4.5
Trade	4.5	8.5	4.8	1.3	1.4	20.8	10.9	9.4
Finance, insurance and real estate	5.4	7.9	-0.3	8.8	34.6	33.3	9.8	8.0
Service	3.6	1.0	1.0	4.0	10.9	19.9	5.1	8.0
Public administration	0.7	0.5	1.5	5.5	1.8	-5.6	4.1	5.5
ALL INDUSTRIES	3.3	5.0	2.2	3.5	8.4	12.2	6.3	7.6

SOURCES: The Conference Board of Canada, "Provincial Outlook", November 1987; Statistics Canada, The Labour Force (Cat. 71-001), Private and Public Investment in Canada (Cat. 61-205), Estimates of Labour Income (Cat. 72-005); Direction de l'analyse économique et des relations internationales, MIC.

PART 1 THE MANUFACTURING SECTOR

THE MANUFACTURING SECTOR
IN QUEBEC IN 1987

SUMMARY

Sustained demand boosted Québec manufacturers' shipments by 6.8% over the first nine months of 1987. Significant increases in shipments of wood, paper, primary metals and machinery offset the decline in automobile shipments. Ontario, affected by major reductions in shipments of automobiles and petroleum products, posted a rise of only 1.5% in its manufacturers' shipments. Durable goods and non-durable goods shared equally in the growth of Québec shipments.

Inventories decreased mainly in the durable goods industries and the stock-to-shipments ratio reached historically low levels. New orders increased mainly in the non-durable goods industries. Capacity utilization rates remained high in the non-durable goods industries and rose rapidly in durable manufacturing. The marked drop in passenger car exports curbed the growth in international exports loaded in Québec. The share of Québec's international exports held by exports to the United States declined while the EEC's share registered a gain.

The manufacturing sector generated 8 200 of the 100 100 new jobs created in Québec in 1987. Employment in the manufacturing sector was up 1.5%, a slower growth than in 1986 but comparable to the increases in Ontario and Canada as a whole. Most of the new jobs were created in durable goods industries. Average hourly wages rose 3.7%, to $11.17. The competitive position of Québec manufacturers improved in relation to their Canadian, Japanese and European counterparts but weakened in relation to their U.S. competitors.

The decrease in the average number of working days lost in strikes or lock-outs coupled with the rise in the number of collective agreements renewed with no work stoppages reflects an improvement in labour relations, particularly in the durable goods industries. The slight increase in industrial prices is mainly attributable to the strengthening of raw materials prices on international markets, but also to the substantial rise in profits of 15.2%. Liabilities involved in bankruptcies dropped 14.1%.

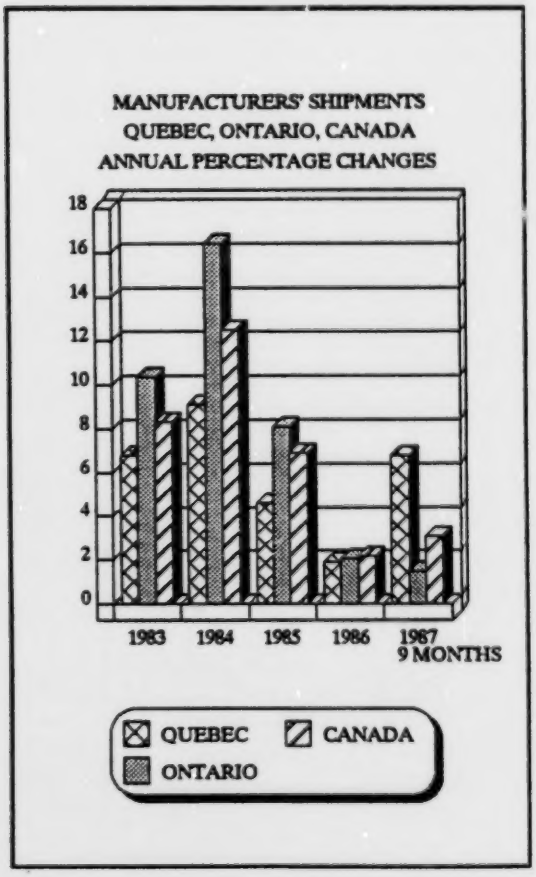
R & D expenditures by Québec manufacturers amounted to $725 million, an 8% increase over the 1986 level. Capital spending in the manufacturing sector totalled $4 158.4 million, paper mills accounting for $1 151.1 million. The capital expenditure increase, exceptionally strong in the transportation equipment industry, was highly concentrated in the Montréal region.

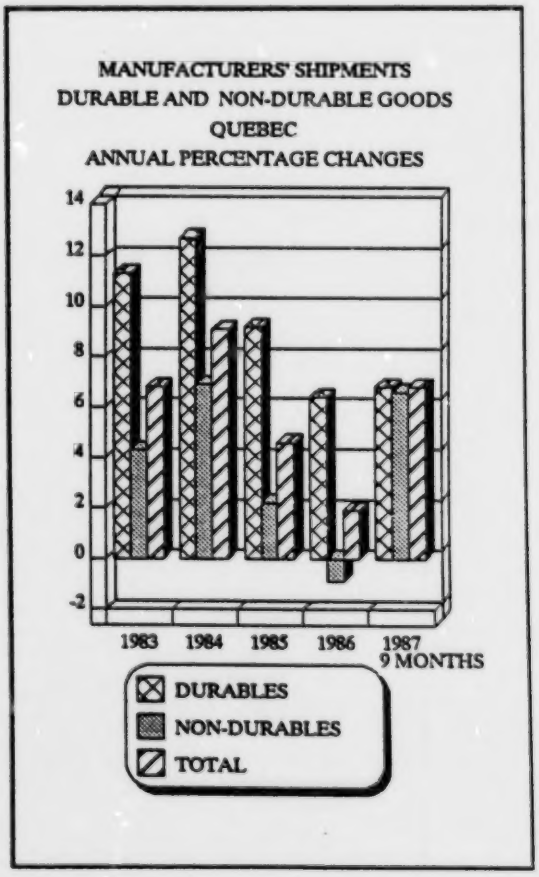
PRODUCTION

In 1987, shipments rose sharply, capacity utilization rates climbed, inventory levels continued their downward trend and industrial prices gained strength.

Shipments

Québec posted an impressive increase of 6.8% in the value of its manufacturers' shipments for the first nine months of 1987 compared to the same period in 1986. Ontario's shipments rose by 1.5% and Canada's, by 3.1%. Québec's manufacturing output, whose growth rate had since 1982 been constantly drawing closer to that of Ontario, surpassed it in 1987. That is striking evidence of the sustained vitality of the Québec manufacturing sector. Considerable increases were posted in important sectors in Québec, i.e. wood, paper, primary metals and machinery. The gap between the two provinces in terms of output growth is also attributable to the performance of the transportation equipment industry. Periods when automobile produc-

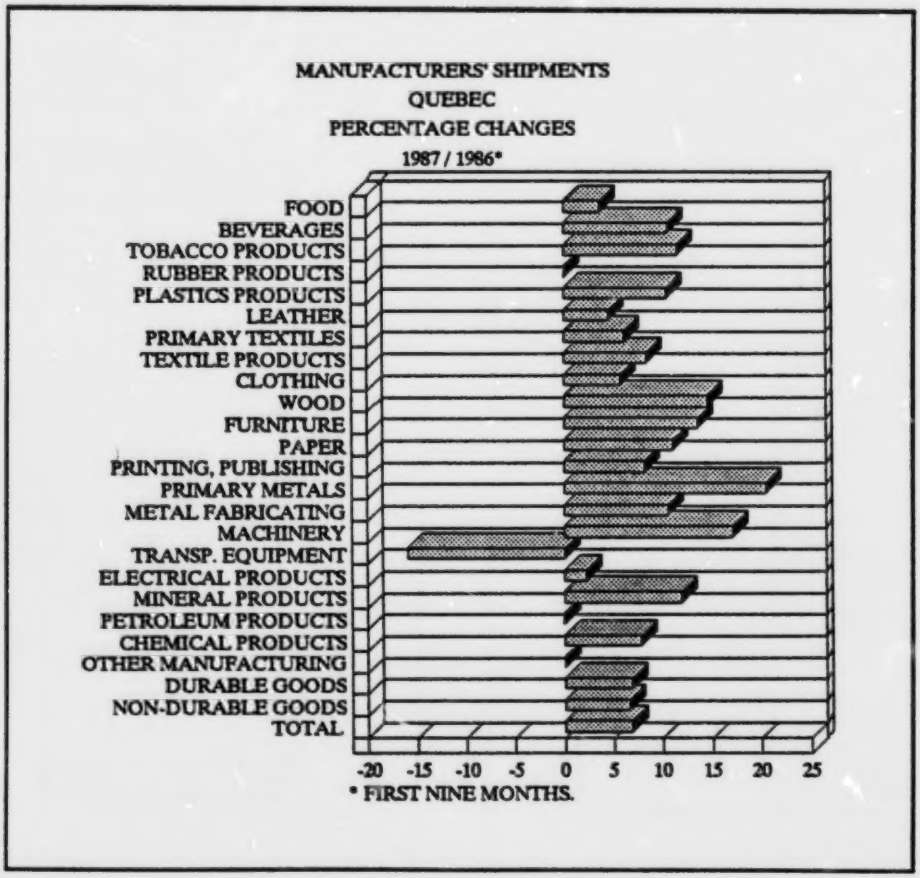




was interrupted for retooling combined with softer demand for automobiles brought down the value of shipments by this major group.

In contrast to preceding years, durable goods production did not outpace that of non-durables. The growth rates recorded in 1987 were 6.8% and 6.6% respectively. No fewer than ten industry groups boosted their output by more than 10%, which is tangible evidence of the vitality of Québec's manufacturing sector. Particularly noteworthy are the vigorous growth rates registered for the wood and primary metal industries, i.e. 14.6% and 20% respectively.

If the trend observed over the first three quarters continued through December, the total value of Québec manufacturers' shipments for the year 1987 should reach $64 815 million. That would represent an increase of 7.0%, a far higher growth rate than the increases posted in 1985 and 1986 and comparable to the gains registered in the beginning years of the current upturn, i.e. in 1983 and 1984. The faster growth in total shipments shown by estimates for the year as a whole compared to the in-



crease posted for the first nine months of 1987 is attributable to the recovery in automobile production.

MANUFACTURERS' SHIPMENTS
QUEBEC
1984-1987

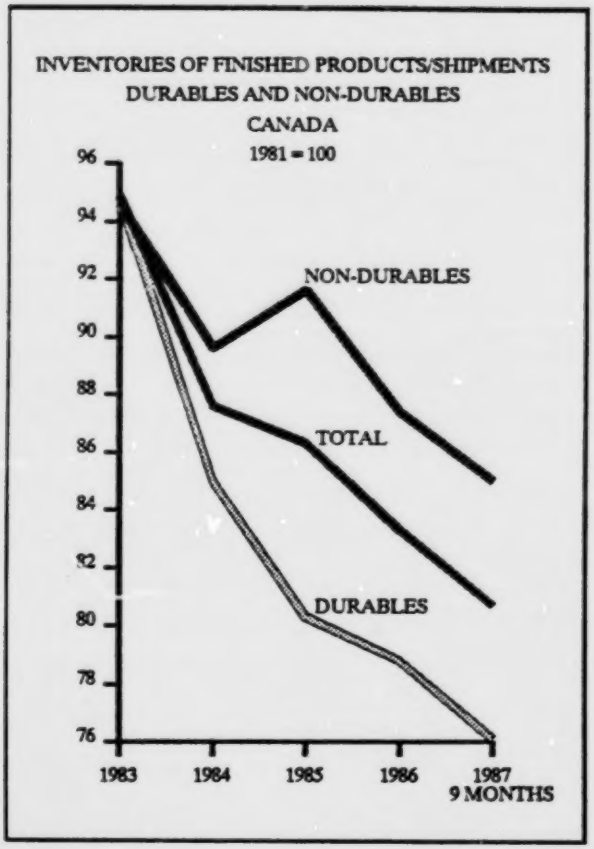
INDUSTRY	1984	1985	1986	1987 (9 months)	1987 E	1985/1984	1986/1985	1987/1986 (9 months)	1987E/1986
	(millions of dollars)					(percentage change)			
Food	8 389.3	8 538.2	8 653.1	6 629.5	8 945	1.8	1.3	3.7	3.4
Beverages	1 168.8	1 203.2	1 252.7	1 022.5	1 385	2.9	4.1	10.6	10.6
Tobacco products	742.0	812.8	794.4	619.7	870	9.5	-2.3	11.5	9.5
Rubber products	-	-	-	-	-	-	-	-	-
Plastics products	870.7	906.3	990.3	818.3	1 100	4.1	9.3	10.5	11.1
Leather	477.7	455.5	475.5	370.8	500	-4.6	4.4	4.5	5.2
Primary textiles	1 508.3	1 446.9	1 520.5	1 230.9	1 620	-4.1	5.1	6.1	6.5
Textile products	1 199.0	1 203.7	1 315.6	1 058.3	1 430	0.4	9.3	8.4	8.7
Clothing	3 217.3	3 303.8	3 547.4	2 811.2	3 745	2.7	7.4	5.8	5.6
Wood	2 160.8	2 330.8	2 636.2	2 248.5	3 005	7.9	13.1	14.6	14.0
Furniture	870.8	990.3	1 047.4	875.6	1 190	13.7	5.8	13.6	13.6
Paper	5 717.1	6 050.3	6 469.4	5 338.5	7 190	5.8	6.9	11.1	11.1
Printing and publishing	2 455.1	2 613.2	2 886.9	2 272.7	3 120	6.4	10.5	8.2	8.1
Primary metals	4 636.4	4 707.9	5 114.3	4 594.2	6 200	1.5	8.6	20.5	21.2
Metal fabricating	3 203.2	3 715.6	3 774.7	3 080.7	4 170	16.0	1.6	10.6	10.5
Machinery	918.2	1 102.0	1 143.7	956.0	1 330	20.0	3.8	17.1	16.3
Transportation equipment	4 515.1	5 077.1	5 327.6	3 221.4	4 700	12.4	4.9	-15.9	-11.8
Electrical products	2 857.6	2 979.9	3 175.5	2 410.7	3 255	4.3	6.6	2.2	2.5
Non-metallic mineral products	1 251.9	1 397.2	1 500.9	1 243.6	1 655	11.6	7.4	11.9	10.3
Petroleum products	5 503.4	5 336.2	3 271.8	2 462.1	3 300	-3.0	-38.7	-0.1	0.9
Chemical products	3 552.3	3 689.1	4 062.5	3 241.1	4 405	3.9	10.1	7.8	8.4
Misc. manufacturing	-	-	-	-	-	-	-	-	-
Durable goods (p)	20 414.0	22 300.8	23 720.3	18 630.7	25 505	9.2	6.4	6.8	7.5
Non-durable goods (p)	34 801.0	35 559.2	35 240.1	27 875.6	37 610	2.2	-0.9	6.6	6.7
TOTAL	56 830.7	59 456.5	60 603.0	47 835.8	64 815	4.6	1.9	6.8	7.0

-: confidential; (p) partial, excluding confidential data.

SOURCES: Statistics Canada, Cat. 31-001; Direction de l'analyse économique et des relations internationales,MIC.

Inventories

In the Canadian manufacturing sector, the level of inventories of finished products decreased 1.2% over the first nine months of 1987 compared to the corresponding period in 1986. For the year 1986 as a whole, the average level of inventories had declined by 1.4% and the stock-to-shipments ratio had reached a historically low level.



The same downward trend continued in 1987. Since 1987 was a year of sustained economic activity, robust demand was the factor responsible for the decrease in inventory levels. New orders increased each month and advance signs pointed to sustained output over the following several months. Durable goods industries posted the largest declines in inventory levels while non-durable goods manufacturers showed the strongest increases in new orders.

Capacity utilization rates

The capacity utilization rate in Canadian manufacturing industries reached 80.0% in the second quarter of 1987. In 1986, when the growth in capacity utilization levelled off temporarily, the average rate was 79.2%. The upward movement in 1987 appears to have been spurred by sustained demand for manufactured products. Capacity utilization reached 85.3% in the non-durable manufacturing industries and 75.2% in the durable goods sector. Eleven of the 22 industry groups increased their capacity utilization rates in 1987. Six major groups posted outstanding capacity utilization rates, i.e. in excess of 96%: textiles, plastics, paper, clothing, non-metallic mineral products, and electrical and electronic products. In these sectors, additional production capacity will have to be added if the growth in demand is maintained. Two sectors registered marked decreases in capacity utilization, i.e. leather and transportation equipment. In those industries which are largely concentrated in Québec--tobacco products, primary textiles, textile products and clothing--capacity utilization rates were generally very high. The situation was radically different in certain sectors which are pillars of Québec's industrial structure, namely the food, primary metal and transportation equipment industries.

CAPACITY UTILIZATION RATES
CANADA
1984-1987

INDUSTRY	1984	1985	1986	1987 I	1987 II
Food	80.3	81.1	80.6	80.3	79.3
Beverages	61.8	61.1	62.2	61.9	61.4
Tobacco products	69.1	70.0	62.0	60.5	60.4
Rubber products	92.2	87.8	85.0	87.1	82.0
Plastics products	91.9	93.5	93.9	94.9	96.3
Leather	96.5	95.4	96.7	93.7	90.9
Primary textiles	88.4	88.1	91.0	95.4	100.0
Textile products	92.8	93.5	96.1	97.5	98.8
Clothing	89.8	90.8	95.0	97.2	96.9
Wood	80.6	85.7	82.9	88.6	86.8
Furniture	66.3	71.8	74.6	74.9	73.8
Paper and allied products	85.1	85.9	90.0	94.1	92.5
Printing and publishing	93.4	94.3	98.0	97.7	97.2
Primary metals	72.4	72.0	70.0	72.5	72.3
Metal fabricating	69.9	74.2	73.0	72.9	74.6
Machinery	59.7	60.7	60.0	59.0	58.1
Transportation equipment	75.3	78.8	72.9	65.7	62.3
Electrical products	78.9	86.6	87.4	91.4	100.0
Non-metallic mineral products	62.4	68.6	73.7	80.1	79.5
Petroleum products	78.0	74.2	75.5	80.6	79.5
Chemical products	67.9	70.9	70.4	70.5	73.5
Misc. manufacturing	85.7	84.9	78.9	73.8	72.6
Durable goods	72.9	76.4	74.6	74.8	75.2
Non-durable goods	82.0	82.7	84.2	85.5	85.3
TOTAL	77.2	79.4	79.2	79.8	80.0

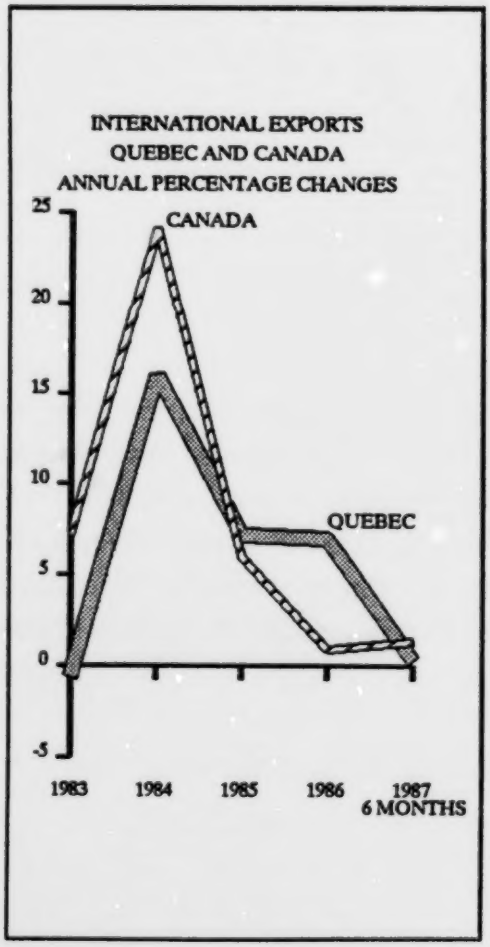
SOURCE: Statistics Canada, Cat. 31-003.

Industrial prices

Industrial prices in Canada rose 2.3% over the first ten months of 1987, compared to a gain of 0.8% in 1986. The stronger growth in 1987 can be attributed essentially to the price rises noted for crude oil and petroleum products. The price index for raw materials, including crude oil and petroleum products, showed an increase of 5.7% for the first ten months of 1987, as against a 17.3% drop for the same comparison period in 1986. As was the case in 1986, the moderate increase in capacity utilization in manufacturing industries and the moderate rise in average hourly wages combined to curb the upsurge in industrial selling prices.

INTERNATIONAL TRADE

Canada's manufacturing trade balance showed an estimated deficit of $3.4 billion at the end of the third quarter of 1987. Compared with year-earlier results, both exports and imports of manufactured goods increased only slightly, by 1.6% and 0.3% respectively. The noticeable slowdown in the expansion of Canada's international trade in manufactured goods was due in part to weaker economic growth in the United States but particularly to the fall-off in demand for automobiles. An important occurrence in 1987--the periods when auto plant production was interrupted for retooling purposes--had a major impact on Canadian exports of motor vehicles and, to a lesser degree, on Canada's imports of auto parts. Since the beginning of 1987, non-durable goods have exhibited more vitality than durables in terms of both exports and imports.



For the first six months of 1987, the value of international exports loaded in Québec reached $9 433.9 million, an increase of merely 0.3% compared to the corresponding period in 1986. This lacklustre performance contrasts sharply with the 7% growth posted in 1985 and 1986. If we exclude the automobile industry owing to the exceptional circumstances in 1987, the growth rate of exports loaded in Québec over the first half of 1987 would be comparable to the advances registered in the two preceding years and would outstrip Canada's in 1987.

The 71.4% plunge in Québec's exports of passenger cars and chassis can be explained by GM's retooling program at its Boisbriand plant, which entailed closing down all production for much of the first half of the year. A drop of 8.7% in lumber exports occurred just when vigorous residential construction activity in the United States offered

promising market opportunities; Québec producers opted for Montréal and Toronto markets where construction activity was booming and where they had no export taxes to pay.

Among Québec's 25 leading export commodities, several products of the manufacturing sector posted strong gains: aluminum, 19.0%; aircraft engines and parts, 14.0%; wood pulp, 31.6%; and railway rolling stock, 23.6%. The combined value of exports of these products totalled more than $1.7 billion for the first half of 1987, for an increase of close to $290 million and a growth rate of 20.1% compared to the same period in 1986.

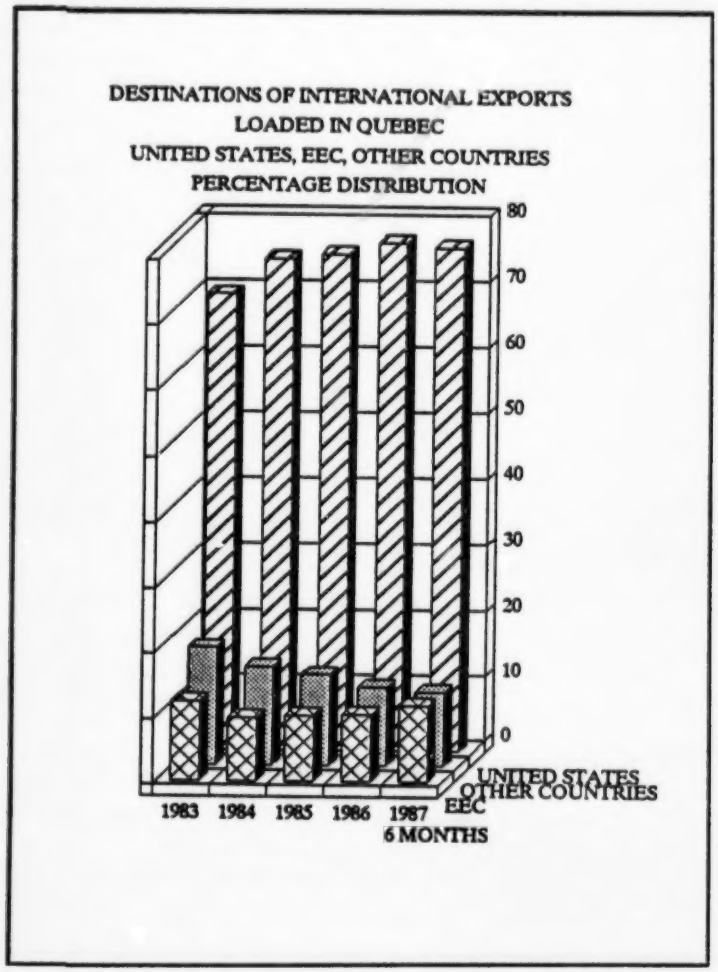
TOTAL CANADIAN EXPORTS LOADED IN QUEBEC
25 LEADING EXPORT COMMODITIES
1984-1987

RANK 1986	COMMODITIES	1984	1985	1986	1987 (6 months)	1985/1984	1986/1985	1987/1986 (6 months)
		(millions of dollars)				(percentage change)		
1.	Printing paper	2 540.5	2 674.7	2 935.1	1 480.3	5.3	9.7	5.6
2.	Passenger automobiles and chassis	1 388.6	1 954.5	1 914.3	295.4	40.8	-2.1	-71.4
3.	Aluminum, including alloys	1 199.4	1 079.8	1 505.1	875.5	-10.0	39.4	19.0
4.	Lumber	642.1	677.0	736.8	330.0	5.4	8.8	-8.7
5.	Aircraft engines and parts	626.7	610.9	676.4	368.3	-2.5	10.7	14.0
6.	Electronic tubes and semiconductors	529.0	623.4	603.0	285.9	17.8	-3.3	143.7
7.	Iron ores, concentrates and scrap	598.8	647.0	573.4	257.4	8.0	-11.4	-6.9
8.	Aircraft assemblies, equipment and parts	276.3	333.1	411.5	205.6	20.6	23.5	6.3
9.	Railway and street railway rolling stock	82.2	152.4	408.9	229.9	85.4	168.3	23.6
10.	Fresh, chilled or frozen meat	347.7	344.9	407.4	185.5	-0.8	18.1	-4.4
11.	Wood pulp and similar pulp	366.9	320.4	400.7	249.1	-12.7	25.1	31.6
12.	Electricity	392.8	341.1	373.8	215.9	-13.2	9.6	10.7
13.	Commercial telecommunication equipment	513.0	484.0	369.2	155.3	-5.7	-23.7	-16.7
14.	Copper and alloys	415.4	343.3	369.1	172.0	-17.4	7.5	-8.0
15.	Unmanufactured asbestos	358.1	330.9	314.9	114.3	-7.6	-4.8	-13.6
16.	Aircraft complete with engines	250.2	201.1	279.5	88.0	-19.6	39.0	-8.2
17.	Other crude non-metallic minerals	140.5	162.8	226.3	110.7	15.9	39.0	0.0
18.	Other automobiles, parts and accessories	157.2	182.9	199.5	114.9	16.3	9.1	28.5
19.	Other measuring and controlling instruments	106.5	68.4	194.3	124.1	-35.8	184.1	240.0
20.	Office machines and equipment	237.3	198.2	191.0	134.6	-16.5	-3.6	60.8
21.	Furniture and fixtures	130.9	155.1	187.2	113.5	18.5	20.7	33.7
22.	Miscellaneous apparel	114.7	129.1	176.7	77.2	12.6	36.9	38.8
23.	Primary iron and steel	127.8	167.0	149.2	65.8	30.7	-10.7	-1.8
24.	Dairy products	204.6	186.6	147.8	50.9	-8.8	-20.8	-15.6
25.	Bolts, nuts and basic hardware	123.8	129.0	139.6	72.9	4.2	8.2	1.3
TOTAL	- 25 LEADING COMMODITIES	11 871.0	12 497.6	13 890.7	6 373.0	5.3	11.1	-1.5
	- ALL COMMODITIES	17 373.3	18 627.7	19 929.3	9 433.9	7.2	7.0	0.3

SOURCES: Bureau de la Statistique du Québec, "Exportations du Canada chargées au Québec, par marchandises et pays"; Direction de l'analyse économique et des relations internationales,MIC.

For the first half of 1987, the value of Québec's exports to the United States stood at $7 247.2 million, down 1.1% compared to the corresponding period in 1986. The share of Québec's total foreign exports held by exports to the United States declined from 77.9% to 76.8% in 1987, due to downward pressure exerted by automobile exports. The value of exports to Japan dropped 4.2%, to $141.1 million, accounting for 1.5% of Québec's total international exports. In contrast, exports to the EEC were up 13.3%, to $1 102.9 million, and the EEC's share of Québec's total foreign exports grew from 10.3% to 11.7%. In the early eighties, the European Economic Community was a flagging market for Québec products. The current upsurge in exports to that part of the world points to interesting market prospects for the future.

Within the EEC, all countries except France and West Germany boosted their purchases of Québec products considerably. Exports to the EEC from Canada as a whole also showed very strong growth, i.e. 26.7%.



QUEBEC'S INTERNATIONAL EXPORTS
1984-1987

DESTINATION		1984	1985	1986	1987 (6 months)	1985/1984	1986/1985	1987/1986 (6 months)
		(millions of dollars)				(percentage change)		
United States		13 024.0	14 116.3	15 452.5	7 247.2	8.4	9.5	-1.1
	%	75.0	75.8	77.5	76.8			
EEC		1 711.0	1 888.5	2 049.5	1 102.9	10.4	8.5	13.3
	%	9.8	10.1	10.3	11.7			
Japan		266.0	327.3	300.2	141.1	23.0	-8.3	-4.2
	%	1.5	1.8	1.5	1.5			
Other countries		2 372.3	2 295.6	2 127.1	942.6	-3.2	-7.3	-1.5
	%	13.7	12.3	10.7	10.0			
TOTAL		17 373.3	18 627.7	19 929.3	9 433.9	7.2	7.0	0.3
	%	100.0	100.0	100.0	100.0			

SOURCES: Bureau de la Statistique du Québec, Commerce international du Québec, édition 1986;
Direction de l'analyse économique et des relations internationales,MIC.

Exports by Québec's manufacturing industries increased by 0.6% over the first six months of 1987 compared to the same period in 1986, their value rising from $8 322.2 million to $8 373.6 million. This weak advance contrasts with the sustained growth recorded in recent years. Among the export-oriented industries, the transportation equipment, wood and food industries registered declines in the value of their export sales, whereas paper and primary metals posted gains.

At year-end, total international exports loaded in Québec were rapidly gaining strength, buoyed by the recovery in automobile production and by the improvement in basic commodity prices. Our estimates for 1987 as a whole indicate a growth of some 5% in Québec's international exports, which would bring their value to a total of $20 925 million.

LABOUR

In 1987, employment in manufacturing industries increased, though at a slower pace than in 1986, earnings were up and the labour relations climate was good. Unit labour cost trends in Québec appear positive compared to Canada as a whole, Japan and the European countries but unfavourable in comparison with the United States.

Employment

Québec recorded a net gain of 100 100 jobs in 1987, the best performance since 1973, when 125 000 new jobs were created. All of the new jobs added in 1987 were full-time jobs. In fact, the number of part-time jobs decreased by 4 000. Of the 100 100 new jobs created, 64.2% went to women.

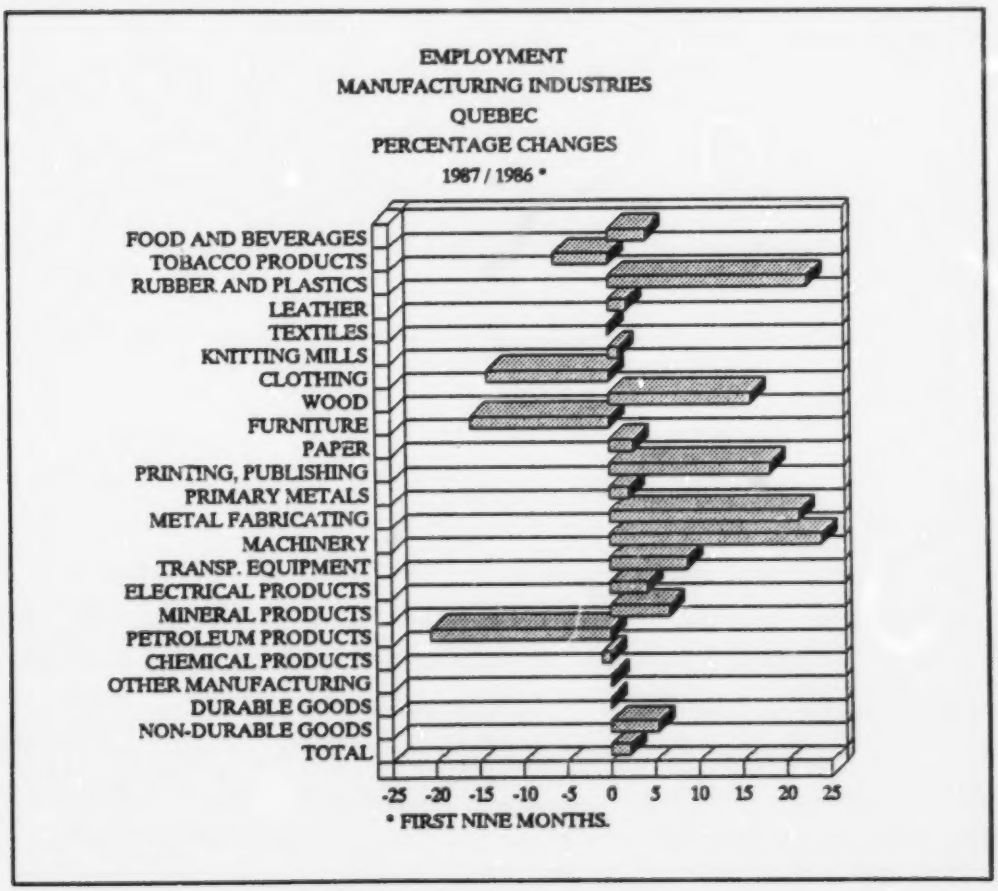
EMPLOYMENT BY INDUSTRY
QUEBEC
ANNUAL AVERAGE

	TOTAL			FULL-TIME			PART-TIME		
	1986	1987	%	1986	1987	%	1986	1987	%
				(thousands)					
Agriculture	82.2	76.3	-7.2	67.4	62.9	-6.7	14.5	13.3	-8.3
Other primary industries	45.3	41.8	-7.7	43.8	40.8	-6.8	1.5	1.0	-33.3
Manufacturing	564.6	572.8	1.5	544.4	555.8	2.1	20.1	17.2	-14.4
Construction	141.1	159.8	13.3	132.9	152.5	14.7	8.0	7.2	-10.0
Transportation, communication and other utilities	218.2	231.6	6.1	207.3	218.3	5.3	10.9	13.3	22.0
Trade	514.9	521.5	1.3	418.7	422.5	0.9	96.2	98.9	2.8
Finance, insurance and real estate	155.5	169.2	8.8	138.0	151.3	9.6	17.5	17.8	1.7
Service	946.5	984.0	4.0	727.5	768.0	5.6	219.0	215.9	-1.4
Public administration	197.8	208.6	5.5	180.8	193.1	6.8	16.8	15.7	-6.5
TOTAL, ALL INDUSTRIES	2 865.4	2 965.5	3.5	2 461.2	2 565.2	4.2	404.3	400.3	-1.0

SOURCES: Statistics Canada, The Labour Force Survey, special compilation;
Direction de l'analyse économique et des relations internationales,MIC.

The manufacturing sector generated 8 200 new jobs, i.e. 8.2% of the total for Québec in 1987, as against 27.1% in 1986. The 1.5% growth in employment in the manufacturing sector was weaker than the gain recorded a year previously (3.2%), but nonetheless comparable to increases posted in Ontario and Canada as a whole. Full-time employment in manufacturing was up 2.1% while part-time employment decreased by 14.4%. Employment among men rose 2.8% while the number of employed women decreased by 1.7%.

Employment in the non-durable goods industries grew by 5.4% over the first nine months of 1987 compared to the same period in 1986, while the durable goods sector registered a decline of 0.1%. Industry groups which posted strong gains in employment include rubber and plastics products, wood, printing and publishing, metal fabricating and machinery. Sizeable losses were registered by the petroleum products, furniture and clothing industries.



ALL EMPLOYEES IN MANUFACTURING INDUSTRIES
QUEBEC
1984-1987

	1984	1985	1986	1987 (9 months)	1985/1984	1986/1985	1987/1986
	(number)				(percentage change)		
Food and beverages	54 027	58 456	53 378	56 071	8.2	-8.7	4.3
Tobacco products	4 146	3 987	3 805	3 582	-3.8	-4.6	-6.2
Rubber and plastics products	15 749	11 778	14 281	17 329	-25.2	21.2	22.6
Leather	7 189	8 365	7 805	8 027	16.4	-6.7	2.1
Textiles	29 720	27 755	27 982	27 939	-6.6	0.8	-0.2
Knitting mills	10 629	9 873	10 274	10 493	-7.1	4.1	1.1
Clothing	59 818	65 130	69 744	61 732	8.9	7.1	-13.9
Wood	25 964	28 039	28 296	32 386	8.0	0.9	16.1
Furniture	17 887	23 214	32 009	28 777	29.8	37.9	-15.9
Paper and allied products	42 835	43 442	43 531	44 569	1.4	0.2	2.7
Printing, publishing, etc.	27 906	24 594	30 087	34 254	-11.9	22.3	18.3
Primary metals	26 300	25 883	25 106	25 828	-1.6	-3.0	2.2
Metal fabricating	28 473	28 436	28 814	34 297	-0.1	1.3	21.5
Machinery	15 451	15 089	15 164	18 448	-2.3	0.5	24.1
Transportation equipment	31 404	32 860	32 995	35 883	4.6	0.4	8.8
Electrical products	28 227	29 073	31 593	32 290	3.0	8.7	4.2
Non-metallic mineral products	12 804	14 414	13 987	14 902	12.6	-3.0	6.7
Petroleum products	3 381	3 456	3 746	2 981	2.2	8.4	-20.6
Chemical products	24 760	25 112	25 191	25 143	1.4	0.3	-0.9
Miscellaneous manufacturing	25 380	24 442	23 960	23 963	-3.7	-2.0	0.3
Durable goods	194 810	204 438	214 444	214 311	4.9	4.9	-0.1
Non-durable goods	292 334	292 486	299 036	316 084	0.1	2.2	5.4
TOTAL	491 677	501 287	517 842	530 395	2.0	3.3	2.2

N.B. For each of the years prior to 1987, the data for the various industries and for the totals have been corrected using Statistics Canada's adjustment factors.

SOURCES: Statistics Canada, Cat. 72-002; SIC, 1970; Direction de l'analyse économique et des relations internationales,MIC.

Wages

Average hourly wages of employees paid by the hour in the manufacturing sector increased 3.7% during the first nine months of 1987 compared to the corresponding period in 1986. They reached $11.17 in 1987 as against $10.85 for the year 1986. The rise in wages was higher in the durable goods industries than in the non-durable sector, i.e. 5.2% compared to 2.5%. Hourly wages reached $11.64 in durable goods manufacturing and $10.83 in the non-durable goods industries. Significant wage increases were registered in the tobacco products, furniture, machinery and electrical products industries. The industry paying the highest average hourly wages in the Québec manufacturing sector was tobacco products, with $20.38.

In June 1987, average hourly wages in the manufacturing industry were $10.67 in Québec, $12.46 in Ontario and $11.93 in Canada. In the United States, they stood at C$13.23. Hourly wages were higher in Québec than in Ontario and Canada in the following four industries: clothing, printing and publishing, electrical products and petroleum products. Tobacco products was the only Québec industry to post higher hourly wages than its U.S. counterpart, i.e. $20.91 compared to $20.78.

AVERAGE HOURLY EARNINGS IN MANUFACTURING (INCLUDING OVERTIME)
EMPLOYEES PAID BY THE HOUR
QUEBEC
1984-1987

	1984	1985	1986	1987 (9 months)	1985/1984	1986/1985	1987/1986
	(dollars)				(percentage change)		
Food and beverages	10.54	10.86	11.31	11.56	3.0	4.2	2.7
Tobacco products	15.85	17.54	18.89	20.38	10.7	7.7	8.3
Rubber and plastics products	9.16	9.71	10.37	10.41	6.0	6.8	0.7
Leather	6.91	7.14	7.22	7.52	3.2	1.1	3.7
Textiles	8.07	8.34	8.75	9.14	3.4	4.9	5.1
Knitting mills	7.56	7.75	7.67	7.41	2.5	-1.0	-3.0
Clothing	7.26	7.72	7.72	7.22	6.4	0.0	-6.0
Wood	8.50	9.46	9.71	9.78	11.2	2.6	0.9
Furniture	7.83	8.20	7.98	8.93	4.7	-2.7	15.4
Paper and allied products	13.55	14.11	14.89	15.33	4.1	5.6	3.5
Printing, publishing, etc.	11.44	12.15	12.81	12.94	6.2	5.4	2.2
Primary metals	14.19	14.76	15.06	15.25	4.0	2.0	1.4
Metal fabricating	10.55	10.67	11.05	11.13	1.1	3.6	0.4
Machinery	9.45	10.32	10.61	11.47	9.2	2.8	9.2
Transportation equipment	11.95	12.62	12.69	12.84	5.6	0.6	1.6
Electrical products	10.39	10.83	11.10	11.80	4.3	2.5	6.7
Non-metallic mineral products	11.23	11.82	12.26	12.54	5.3	3.8	2.2
Petroleum products	15.51	17.21	15.69	15.90	11.0	-8.8	0.8
Chemical products	11.41	11.73	12.22	12.61	2.8	4.2	4.0
Miscellaneous manufacturing	7.16	7.30	7.46	7.81	2.0	2.2	5.0
Durable goods	10.64	11.09	11.14	11.64	4.2	0.4	5.2
Non-durable goods	9.82	10.24	10.65	10.83	4.3	4.0	2.5
TOTAL	10.16	10.60	10.85	11.17	4.3	2.4	3.7

N.B. For each of the years prior to 1987, the data for the various industries and for the totals have been corrected using Statistics Canada's adjustment factors.

SOURCES: Statistics Canada, Cat. 72-002; SIC, 1970; Direction del'analyse économique et des relations internationales,MIC.

AVERAGE HOURLY EARNINGS (1)
MANUFACTURING INDUSTRIES
JUNE 1987
(IN DOLLARS)

	QUEBEC	ONTARIO	CANADA	U.S.(1) (C$)	QUE/CAN.	QUE/ONT.	QUE/U.S.
Food and beverages	11.44	11.95	11.20	11.91	102.1	95.7	96.1
Tobacco products	20.91	21.02	20.94	20.78	99.9	99.5	100.6
Rubber and plastics products	10.42	10.71	10.62	11.86	98.1	97.3	87.9
Leather	7.66	7.83	7.78	8.09	98.5	97.8	94.7
Textiles	9.21	10.84	10.02	9.57	91.9	85.0	96.2
Knitting mills	7.40	7.47	7.38	---	100.3	99.1	---
Clothing	7.59	7.43	7.40	---	102.6	102.2	---
Wood	9.59	10.10	11.83	11.30	81.1	95.0	84.9
Furniture	9.12	9.53	9.28	10.25	98.3	95.7	89.0
Paper and allied products	15.25	14.55	15.73	15.29	96.9	104.8	99.7
Printing and publishing	13.03	11.82	12.14	13.60	107.3	110.2	95.8
Primary metals	15.02	15.67	15.47	16.02	97.1	95.9	93.8
Metal fabricating	11.22	12.25	12.12	13.40	92.6	91.6	83.7
Machinery	11.55	12.47	12.43	14.42	92.9	92.6	80.1
Transportation equipment	12.87	14.73	14.25	17.28	90.3	87.4	74.5
Electrical products	11.87	11.39	11.56	13.17	102.7	104.2	90.1
Non-metallic mineral products	12.57	13.39	13.18	13.75	95.4	93.9	91.4
Petroleum products	16.22	15.60	15.90	19.29	102.0	104.0	84.1
Chemical products	12.50	12.95	12.88	16.42	97.0	96.5	76.1
Miscellaneous manufacturing	7.70	10.21	9.29	10.35	82.9	75.4	74.4
Durable goods	11.62	13.08	12.79	13.96	90.9	88.8	83.2
Non-durable goods	10.01	11.57	11.04	12.21	90.7	86.5	82.0
TOTAL	10.67	12.46	11.93	13.23	89.4	85.6	80.7

(1) Conversion rate: C$1.3386=US$1.00 (average June 1987).

SOURCES: Statistics Canada, Cat. 72-002,August 1987; SIC, 1970; Survey of Current Business, August 1987; Bank of Canada Review, August 1987;Direction de l'analyse économique et des relations internationales, MIC.

Average weekly earnings for all employees in manufacturing rose 5.6% in 1987, to $478.94. Weekly earnings reached $514.45 in the durable goods industries and $454.85 in non-durable manufacturing. The largest increases were posted by the following industries: furniture, machinery, printing, petroleum products, knitting mills and chemical products. The petroleum products industry registered the highest average weekly earnings, $752.81, while the leather industry recorded the lowest, $314.95. Earnings in the wood industry were down for the second consecutive year.

AVERAGE WEEKLY EARNINGS IN MANUFACTURING (INCLUDING OVERTIME)
ALL EMPLOYEES
QUEBEC
1984-1987

	1984	1985	1986	1987 (9 months)	1985/1984	1986/1985	1987/1986 (9 months)
	(dollars)				(percentage change)		
Food and beverages	424.38	430.29	458.69	476.21	1.4	6.6	4.7
Tobacco products	615.25	677.83	714.19	740.27	10.2	5.4	4.2
Rubber and plastics products	377.10	412.03	438.67	439.37	9.3	6.5	0.3
Leather	292.07	285.46	304.52	314.95	-2.3	6.7	3.3
Textiles	359.18	371.57	391.46	405.99	3.4	5.4	4.4
Knitting mills	297.22	319.07	316.11	335.83	7.3	-0.9	7.4
Clothing	307.81	318.99	320.06	306.59	3.6	0.3	-3.1
Wood	371.03	411.83	409.17	405.44	11.0	-0.6	-1.5
Furniture	332.48	340.49	344.91	376.33	2.4	1.3	11.9
Paper and allied products	561.11	588.41	617.64	633.84	4.9	5.0	3.2
Printing, publishing, etc.	413.12	441.09	456.96	491.24	6.8	3.6	8.4
Primary metals	609.61	632.17	643.00	665.81	3.7	1.7	4.3
Metal fabricating	429.16	440.96	454.94	464.81	2.7	3.2	2.2
Machinery	439.12	474.64	480.15	521.35	8.1	1.2	9.7
Transportation equipment	523.59	563.45	572.00	586.34	7.6	1.5	3.3
Electrical products	485.68	506.39	525.91	548.85	4.3	3.9	4.8
Non-metallic mineral products	462.40	472.42	510.32	533.41	2.2	8.0	4.7
Petroleum products	678.88	716.30	701.44	752.81	5.5	-2.1	7.4
Chemical products	510.95	532.47	551.44	584.98	4.2	3.6	7.2
Miscellaneous manufacturing	319.84	324.23	332.77	353.28	1.4	2.6	6.4
Durable goods	464.27	484.98	489.88	514.45	4.5	1.0	5.8
Non-durable goods	405.08	419.85	436.33	454.85	3.6	3.9	5.2
TOTAL	427.60	445.39	457.56	478.94	4.2	2.7	5.6

N.B. For each of the years prior to 1987, the data for the various industries and for the totals have been corrected using Statistics Canada's adjustment factors.

SOURCES: Statistics Canada, Cat. 72-002; SIC, 1970; Direction de l'analyse économique et des relations internationales,MIC.

Labour relations

Of the 763 collective agreements which expired during the first ten months of 1987, 86.6% were signed without any work stoppages. In addition, the average number of work days lost per person dropped from 29.2 days in 1986 to 25.1 days for the first ten months of 1987. These are tangible signs of a harmonious labour relations climate in 1987.

Collective agreements up for renewal in 1987 in Québec's manufacturing industries involved 104 600 workers, over 50% more than was the case in 1986. During the

year, some 71 000 of these workers renewed their agreements without any labour disputes or were still negotiating in early November 1987. Labour disputes involving 20 700 workers occurred during the first ten months of 1987, with 2 800 of these workers still involved in labour disputes at the beginning of November. Collective agreements covering 12 900 workers were due to expire in November and December.

A total of 518 985 person-days were lost as a result of strikes or lock-outs during the first ten months of 1987; this is an increase of 13.3% compared to the same period in 1986. Person-days lost in the manufacturing sector represented 0.46% of the total number of working days, as against 0.47% in 1986, and accounted for 39.1% of the total person-days lost in all sectors of activity in Québec, compared to 25.1% for the year 1986.

The non-durable goods industries registered a sharp rise in the number of days lost in work stoppages (186.0%) and an even greater increase in the number of workers involved in labour disputes (223.3%). As a result, the average number of days lost per person decreased from 26.0 for the first ten months of 1986 to 23.0 for the same period in 1987. In the durable goods sector, total person-days lost in 1987 dropped dramatically, by 47.7%, owing largely to the decline in the number of persons involved in labour disputes.

In 1988, at least 888 collective agreements are due to expire. This means that 88 400 workers will be engaged in collective bargaining in 1988, which is 15.5% fewer than in 1987. Industries in which a significant number of collective agreements will expire or a large percentage of employees will be negotiating new contracts include food and beverages, textiles, clothing, transportation equipment and electrical products.

PERSON-DAYS LOST IN WORK STOPPAGES
MANUFACTURING INDUSTRIES
QUEBEC
1984-1987

	1984	1985	1986	1987 (10 months)	1985/1984	1986/1985	1987/1986 (10 months)
	(number)				(percentage change)		
Food and beverages	95 855	90 720	77 493	128 032	-5.4	-14.6	108.3
Tobacco products	...	...	...	...	...	...	...
Rubber and plastics products	1 486	87 328	12 700	9 278	5 776.7	-85.5	-25.6
Leather	5 280	3 150	...	10 170	-40.3	...	...
Textiles	1 957	85 798	10 314	8 856	4 284.2	-88.0	22.3
Knitting mills	2 592	2 092	1 530	6 050	-19.3	-26.9	295.4
Clothing	11 355	3 859	51 684	90 000	-66.0	1 239.3	829.4
Wood	74 839	47 154	44 370	7 480	-37.0	-5.9	-81.7
Furniture and fixtures	17 304	16 530	21 959	16 589	-4.5	32.8	-2.9
Paper and allied products	147 569	37 120	18 449	64 010	-74.8	-50.3	433.2
Printing and publishing	1 976	7 516	8 168	19 779	280.4	8.7	142.2
Primary metals	34 502	26 031	118 266	12 593	-24.6	354.3	-89.4
Metal fabricating	26 686	17 973	47 480	22 522	-32.7	164.2	-31.1
Machinery	38 739	14 273	53 362	72 120	-63.2	273.9	68.3
Transportation equipment	139 943	196 228	9 569	13 287	40.2	-95.1	107.8
Electrical products	29 050	22 297	46 147	24 002	-23.2	107.0	-46.6
Non-metallic mineral products	117 425	19 740	36 249	8 249	-83.2	83.6	-74.0
Petroleum and coal products	...	...	...	...	...	...	...
Chemical products	12 791	37 919	3 808	5 968	196.5	-90.0	127.0
Miscellaneous manufacturing	17 785	20 031	4 424	...	12.6	-77.9	...
TOTAL	777 134	735 759	565 972	518 985	-5.3	-23.1	13.3

SOURCES: Travail Québec, "Grèves et lock-out au Québec"; SIC, 1970;
Direction de l'analyse économique et des relations internationales, MIC.

LABOUR DISPUTES, MANUFACTURING SECTOR
QUEBEC
9 MONTHS, 1987

	Number of employees	Person-days lost	
		Number	% of estimated working days (1)
TOTAL MANUFACTURING	530 400	467 655	0.5
Food and beverages	56 100	120 732	1.1
Tobacco products	3 600	...	...
Rubber and plastics	17 300	9 278	0.3
Leather	8 000	8 740	0.6
Textiles, knitting mills and clothing	100 200	104 906	0.5
Wood	32 400	6 460	0.1
Furniture and fixtures	20 300	14 874	0.4
Paper and allied products	44 600	64 010	0.8
Printing and publishing	34 300	13 333	0.2
Primary metals	25 800	9 310	0.2
Metal fabricating	34 300	19 411	0.3
Machinery	18 400	60 079	1.7
Transportation equipment	35 900	12 209	0.2
Electrical products	32 300	15 162	0.2
Non-metallic mineral products	14 900	6 347	0.2
Petroleum and coal products	3 000	...	...
Chemical products	25 100	2 804	0.1
Miscellaneous manufacturing	24 000	...	...

(1) The estimated number of working days for the first 9 months of 1987 is 191.

SOURCES: Statistics Canada, Cat.72-002; Travail Québec, special compilations;
SIC, 1970; Direction de l'analyse économique et des relations
internationales, MIC.

Unit labour costs and productivity

In 1987, Québec manufacturers improved their competitive position in relation to their Canadian counterparts; over the first eight months of the year, unit labour costs rose by only 3.2% in Québec, compared to a 6.0% increase in Canada as a whole. However, the competitiveness of Québec manufacturers declined in relation to their U.S. counterparts. Unit labour costs were down 1.6% in the United States. The appreciation of the Canadian dollar against the U.S. dollar over the same period was a contributing factor in the weakening of Québec's competitive position on the U.S. market in 1987. The realignment of currencies improved our competitiveness on European and Japanese markets. Indicators show labour productivity edging up in Québec and declining somewhat in Canada as a whole.

Changes in unit labour costs and productivity in Québec and in Canada as a whole in 1987 indicate a slight improvement in comparison to trends observed between 1981 and 1986. During that period, labour productivity and unit labour costs in the manufacturing sector increased by 11.9% and 18.9% respectively in Québec; comparable growth rates were posted for Canada as a whole. The 8% gap that existed between Canadian and Québec manufacturing productivity in 1981 remained throughout the period and in 1987. Part of that gap is attributable to the fact that industries with low labour productivity--leather, clothing and furniture--are heavily concentrated in Québec.

From 1981 to 1986, the Québec industries which posted the largest gains in labour productivity were the wood industry (31.4%), primary metals (45%), transportation equipment (31.4%) and petroleum products (44.7%). Two Québec industries registered slight decreases in labour productivity, i.e. leather (-2%) and clothing (-2.4%). The beverage and machinery industries recorded productivity declines of 9.1% and 6.9% respectively; however, their productivity stopped falling in 1983-1984 and posted successive annual increases in 1985 and 1986.

The labour productivity indicator does not take into account any improvement in product quality and it therefore tends to underestimate real productivity changes. Over the period 1981-1986, the price increases in the beverage industry (38%) and the machinery industry (26.9%) were greater than the average rise in prices in the

manufacturing sector as a whole (19.6%). The differentials in price increases could reflect an improvement in product quality by these two industries.

From 1981 to 1986, certain industries that posted substantial improvements in labour productivity registered small increases in their unit labour costs, notably primary metals (1.4%) and refined petroleum products (1%). The transportation equipment industry saw its unit labour costs drop by 4.8%.

Over the same period, the industries with the largest rises in unit labour costs were beverages (43%), tobacco products (35.1%), machinery (40.8%), and electrical and electronic products (30.7%). These industries recorded weak gains in productivity or sustained heavy increases in hourly wages.

CHANGES IN LABOUR PRODUCTIVITY, PRODUCTION WAGES AND UNIT LABOUR COSTS
QUEBEC
1981-1986

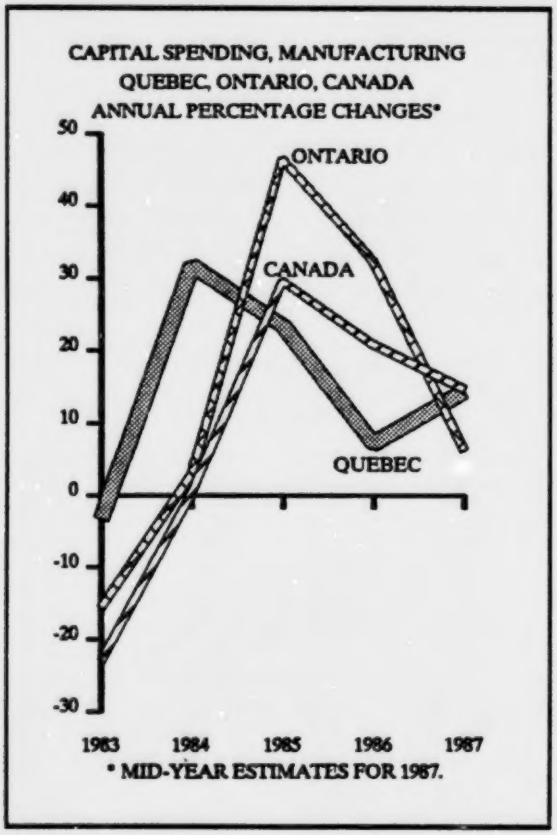
INDUSTRY	LABOUR PRODUCTIVITY		AVERAGE HOURLY WAGE		UNIT LABOUR COSTS	
	Index (1981=100) 1986	Average growth rate 1981-1986	Index (1981=100) 1986	Average growth rate 1981-1986	Index (1981=100) 1986	Average growth rate 1981-1986
		%		%		%
Food	111.8	2.3	133.4	5.9	119.3	3.6
Beverages	90.9	-1.9	129.9	5.4	143.0	7.4
Tobacco products	123.9	4.4	167.5	10.9	135.1	6.2
Rubber products	x	x	x	x	x	x
Plastics products	117.8	3.3	136.9	6.5	116.2	3.0
Leather	102.0	0.4	126.7	4.8	124.2	4.4
Primary textiles	109.2	1.8	134.2	6.1	122.9	4.2
Textile products	107.4	1.4	124.4	4.5	115.9	3.0
Clothing	102.4	0.5	119.0	3.5	116.2	3.0
Wood	131.4	5.6	136.7	6.5	104.0	0.8
Furniture	117.6	3.3	135.9	6.3	115.5	2.9
Paper	122.4	4.1	141.5	7.2	115.6	2.9
Printing and publishing	110.2	2.0	138.6	6.7	125.7	4.7
Primary metals	145.0	7.7	147.0	8.0	101.4	0.3
Metal fabricating	120.5	3.8	135.0	6.2	112.0	2.3
Machinery	93.1	-1.4	131.1	5.6	140.8	7.1
Transportation equipment	131.4	5.6	125.1	4.6	95.2	-1.0
Electrical products	108.0	1.6	141.2	7.1	130.7	5.5
Non-metallic mineral products	x	x	x	x	x	x
Petroleum products	144.7	7.7	146.2	7.9	101.0	0.2
Chemical products	117.4	3.3	134.0	6.0	114.1	2.7
Miscellaneous manufacturing	x	x	x	x	x	x
TOTAL	111.9	2.3	133.1	5.9	118.9	3.5

x: confidential.
SOURCES: Bureau de la Statistique du Québec, Statistiques principales des manufacturiers québécois: réelles 1981-1984, estimations révisées 1985, prévisions 1986; Direction de l'analyse économique et des relations internationales, MIC.

INVESTMENT

Investment by Québec manufacturers, i.e. their total capital and repair expenditures, reached $5 716.9 million in 1987, an increase of 13.1% over 1986. This amount represents 19.4% of total investment in Québec in 1987, 25.6% of Canadian manufacturing investment and 50.2% of manufacturing investment in Ontario.

Repair expenditures by Québec manufacturers in 1987 totalled $1 558.5 million, for a 9.8% gain over 1986. It was the largest increase posted for repair expenditures in all sectors of the Québec economy. This very significant effort by Québec manufacturers in terms of repair expenditures surpassed that of manufacturers in Ontario and Canada as a whole.



Capital spending in Québec's manufacturing sector reached $4 158.4 million in 1987, up 14.4% past the 1986 level. This marks the fourth consecutive year of growth and an acceleration in the rate of growth compared to the gain recorded in 1986 (7.1%). Again in terms of growth, Québec manufacturers outperformed their Ontario counterparts whose capital expenditures rose by only 6.2% in 1987. Capital expenditures in the manufacturing sector in Québec amounted to 50.4% of the corresponding figure for Ontario, compared to 46.8% in 1986.

Manufacturers in Québec reported capital expenditures of $735.7 million for construction, i.e. a very slight gain (0.8%) over 1986, and $3 422.7 million for machinery and equipment, up 18.3%. The increase in the latter category was due largely to an exceptional effort by transportation equipment manufacturers and by the machinery industry.

In the Québec manufacturing sector, capital spending in 1987 was highest in the following industry groups: paper, primary metals, chemical products and transportation equipment. New capital expenditures in these four industry groups totalled $2 404.1 million in 1987, i.e. close to 58% of total capital spending by all manufacturing industries. The paper industry was by far the leader, with capital expenditures of $1 154.1 million.

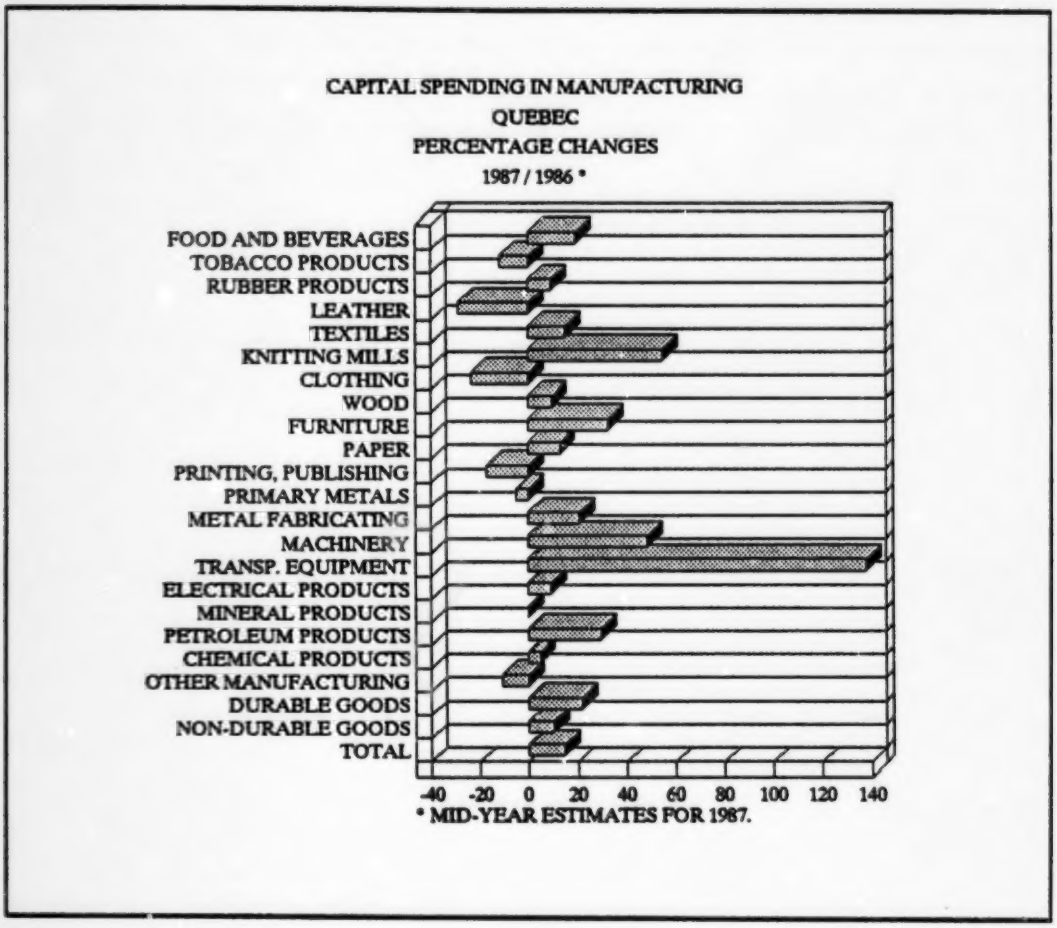
Capital spending by Québec's durable goods manufacturers showed a gain of 21.7% in 1987, following a decrease of 22.2% in 1986. A major source of the growth in 1987

CAPITAL SPENDING IN MANUFACTURING
BY INDUSTRY
QUEBEC
1984-1987

INDUSTRY	1984	1985	1986*	1987**	1985/84	1986/85	1987/86
	(millions of dollars)				(percentage change)		
Food and beverages	229.4	231.2	231.9	277.0	0.8	0.3	19.4
Tobacco products	32.0	44.7	42.5	37.5	39.7	-4.9	-11.8
Rubber products	47.9	48.0	76.5	83.6	0.2	59.4	9.3
Leather	3.6	3.5	3.8	2.7	-2.8	8.6	-28.9
Textiles	75.0	73.6	72.2	83.1	-1.9	-1.9	15.1
Knitting mills	14.3	7.9	10.2	15.8	-45.5	29.1	54.9
Clothing	13.6	15.5	19.7	15.1	14.0	27.1	-23.4
Wood	62.9	99.6	77.5	84.8	58.3	-22.2	9.4
Furniture and fixtures	9.6	12.7	22.7	30.1	32.3	78.7	32.6
Paper and allied products	473.3	688.4	1 023.1	1 154.1	45.4	48.6	12.8
Printing, publishing, etc.	83.5	55.6	82.6	68.5	-33.4	48.6	-17.1
Primary metals	658.7	918.5	552.2	524.0	39.4	-39.9	-5.1
Metal fabricating	71.4	73.5	88.9	107.3	2.9	21.0	20.7
Machinery	86.5	96.4	83.4	123.7	11.4	-13.5	48.3
Transportation equipment	80.1	124.9	144.8	344.4	55.9	15.9	137.8
Electrical products	142.8	153.3	153.4	167.2	7.4	0.1	9.0
Non-metallic mineral products	47.7	48.7	66.2	66.0	2.1	35.9	-0.3
Petroleum and coal products	95.5	72.4	81.2	105.1	-24.2	12.2	29.4
Chemicals and chemical products	207.8	250.5	365.2	381.6	20.5	45.8	4.5
Miscellaneous manufacturing	28.7	43.7	64.8	57.7	52.3	48.3	-11.0
Capital items charged to operating expenses	286.5	331.9	373.0	429.1	...	...	...
Durable goods	1 159.7	1 527.6	1 189.1	1 447.5	31.7	-22.2	21.7
Non-durable goods	1 304.8	1 535.0	2 073.7	2 281.8	17.6	35.1	10.0
TOTAL	2 751.0	3 394.5	3 635.8	4 158.4	23.4	7.1	14.4

* Preliminary. ** Estimates revised at mid-year.

SOURCES: Statistics Canada, Private and Public Investment in Canada (Cat. 61-205 and 61-206); SIC, 1970;
Direction de l'analyse économique et des relations internationales, MIC.



was the exceptional increase of 137.8% in capital spending by transportation equipment manufacturers. In the non-durable goods sector, capital expenditures rose 10.0%, as against 35.1% in 1986; the capital spending increase in the petroleum products industry contrasts with the decreases for the tobacco products, leather, clothing, and printing and publishing industries. By comparison, Ontario manufacturers posted an increase in capital spending of only 0.7% in the durable goods sector and of 18.5% in the non-durable goods sector, with very substantial gains being recorded in the tobacco products and printing industries.

Non-revised estimates indicate capital expenditures of $1 226.8 million by Montréal region manufacturers in 1987, an increase of 21.2%. In the rest of Québec, capital spending in the manufacturing sector should remain at the same level as in 1986, i.e. at $2 626.7 million.

RESEARCH AND DEVELOPMENT

R & D expenditures in 1987 by Québec's manufacturing industry are estimated at $725 million, up 8% from the preceding year. The manufacturing sector, with 78% of industrial R & D expenditures in Québec in 1985, is gaining back some of the ground lost to the service sector in the early 1980s; the service sector accounted for 20% of industrial R & D spending in 1985, and the primary sector, 2%.

Manufacturing R & D expenditures in Québec are expected to increase by some 11% in 1988, a stronger growth than the average annual rate of 9% observed since 1981 for both Québec and Canada as a whol. According to the Conference Board, R & D spending by the Canadian manufacturing industry should show an annual increase of close to 7% during the period 1988-1992, a higher growth rate than that forecast for all industrial R & D expenditures in Canada over the same period.

Three industry groups make up the core of technological activity in the manufacturing industry: transportation equipment, electrical and electronic products, and chemical products. In Québec and in Canada as a whole, these three groups account for more than 70% of all manufacturing R & D spending.

Québec's leading sector in terms of R & D is the transportation equipment industry, especially the aeronautics sector. This industry accounts for 35% of all industrial research performed in the Québec manufacturing sector as a whole. It also accounts for 50% of the technological activity in the Canadian transportation equipment industry, which has seen extremely rapid technological development since 1985.

Electrical products, and particularly electronic products, constitute the industry where technological activity has advanced most rapidly in the 1980s. In terms of technological activity, the industry ranks second in Québec and first in Canada. Québec accounts for 15% of the Canadian industry's total technological activity. The rate of growth of R & D spending in this sector at the Canadian level has, however, declined to some degree in the past two years.

Technological activity in the chemical products industry has slowed somewhat in Québec, in contrast to the trend observed in Canada as a whole. Québec's share of the Canadian total was 29% in 1984 but slipped to 23% in 1985. The new federal law

providing stronger patent protection for pharmaceuticals will undoubtedly have an explosive impact on R & D spending by the Québec chemical industry over the next few years. The Québec pharmaceutical industry has already announced plans to spend some $630 million and create 1 350 new jobs between now and 1993.

PROFITS AND BANKRUPTCIES

Profits rose substantially in Québec in 1987 and the bankruptcy picture continued to improve.

Profits

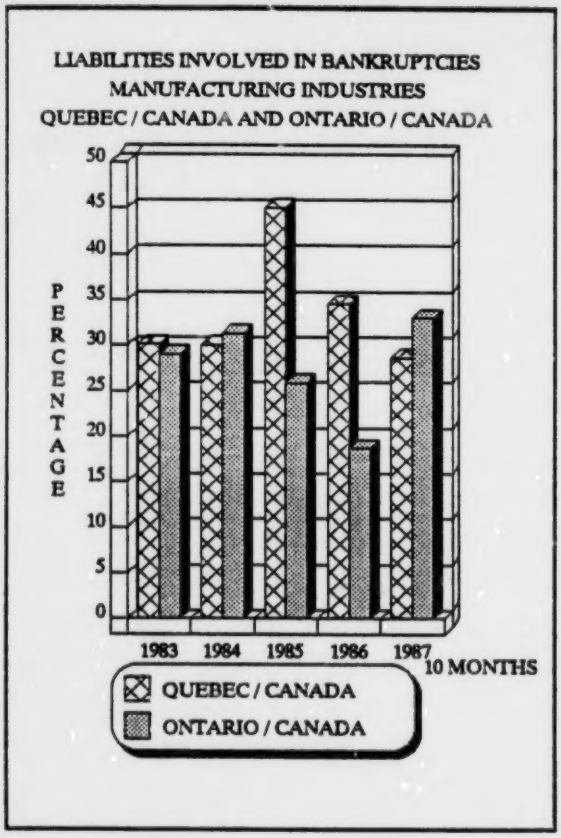
Canadian and Québec manufacturers posted a substantial increase of 15.2% in basic earnings for the first nine months of 1987 compared to the same period in 1986. The moderate rise in costs, the oil price increase and stabilization at a relatively high level, the strengthening of raw materials prices on international markets and the vigour of domestic demand all had a stimulating effect on growth in earnings.

The earnings performance of Québec manufacturers appears to have been better than the Canadian average. Unit labour costs rose less rapidly in Québec than in Canada. In addition, the Canadian industries posting the greatest increases in earnings are largely concentrated in Québec. Tobacco products, the paper and logging industries, the wood industry and non-metallic mineral products registered gains in earnings of 94%, 52%, 49% and 35% respectively.

Bankruptcies

Over the first ten months of 1987, the number of bankruptcies in the Québec manufacturing sector fell 2.3% compared to the same period in 1986, i.e. from 175 to 171, continuing a downward trend begun in 1983. The reduction in the number of bankruptcies was slightly less pronounced in Québec than in Canada, which posted a decrease of 4.5%. The industry groups with very significant reductions in the number of bankruptcies were food and beverages, leather, textiles, transportation equipment and electrical products.

In Québec, liabilities involved in bankruptcies dropped 14.1% during the first ten months of 1987 compared to the same period in 1986. For the year 1986, the decrease had been 43.7%. The downward movement in liabilities involved in bankruptcies, which began after the gloomy results of 1982, has been reversed only once since then, by the upsurge noted in 1985. Ontario posted a 34.2% rise in liabilities involved in bankruptcies. Thus, it is not surprising to see a decline in



Québec's share of total liabilities involved in bankruptcies in Canada; that share dropped to 28.7% in 1987, compared to 34.6% for the year 1986 and 45.1% for the year 1985. In Québec, the largest decreases in liabilities were in the food and beverage, leather, textile and primary metal industries.

Data for the first ten months of 1987 show that, on average, a bankruptcy in the Québec manufacturing sector involved liabilities of $252 344, down 12.1% from a year earlier. Bankruptcies involving the largest amounts of liabilities occurred in the rubber and plastics products, paper and allied, transportation equipment and chemical industries.

BUSINESS BANKRUPTCIES, MANUFACTURING INDUSTRIES
QUEBEC - ONTARIO - CANADA
1984-1987

	1984	1985	1986	1987 (10 months)	1985/1984	1986/1985	1987/1986 (10 months)
NUMBER							
- Québec	301	249	217	171	-17.3	-12.9	-2.3
- Ontario	249	203	169	138	-18.5	-16.7	-4.8
- Canada	797	694	644	515	-12.9	-7.2	-4.5
- Qué./Can. %	37.8	35.9	33.7	33.2			
- Ont./Can. %	31.2	29.3	26.2	26.8			
LIABILITIES ($'000)							
- Québec	85 120	125 381	70 584	43 151	47.3	-43.7	-14.1
- Ontario	88 654	71 971	38 009	49 897	-18.8	-47.2	34.2
- Canada	282 786	278 095	203 779	150 523	-1.7	-26.7	-11.4
- Qué./Can. %	30.1	45.1	34.6	28.7			
- Ont./Can. %	31.4	25.9	18.7	33.1			

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, "Insolvency Bulletin"; Direction de l'analyse et des relations internationales, MIC.

ANALYSIS BY INDUSTRY GROUP

Let us now turn to developments in the economic situation of the various industry groups in Québec, using the main indicators available, including certain Canadian indicators--inventories, the capacity utilization rate, the sectoral trade balance--for they provide information that is largely applicable to Québec. Growth rates for 1987 are always calculated with respect to the corresponding period in 1986.

Non-durable goods industries

Québec's **food and beverage** industry posted a 4.6% growth in the value of its shipments over the first nine months of 1987. This growth rate is higher than the increases registered in 1986 and 1985 and comparable to that of the Canadian industry in 1987. Alcoholic beverages made a particularly strong showing, with the value of shipments up by 10.6%, compared to gains of 2.9% in 1985 and 4.1% in 1986. The main source of the growth in the food and beverage industry was vigorous domestic demand since the value of Québec's exports of both food and beverages declined slightly over the first six months of 1987. The capacity utilization rate in the Canadian alcoholic beverage industry remained very low in 1987, at scarcely 61%. Changes in consumer habits and the increasingly heavy taxes levied on alcoholic beverages will continue to curb the growth of this industry.

In 1987, Québec's **rubber and plastics products** industry continued to perform well. The major capital spending program carried out in 1986 has borne fruit. Employment rose significantly, more so than in Canada. The industry continued to make inroads on external markets. Its strong showing in 1987 was due mainly to plastics products; in that sector, shipments rose 10.5% over the first nine months of the year and the capacity utilization rate continued to climb, to roughly 96%. Capacity utilization in the rubber products sector was 82%. In 1988, plastics products will again be the industry's main source of growth.

Québec's **leather, textile and clothing** industries performed satisfactorily in 1987, with growth rates ranging from 4% to 8%. The aggregate value of shipments by these three industries increased by 6%, which is comparable to the corresponding gain in Canada as a whole. These industries showed some vitality on external markets in 1987, their exports posting an overall rise in value of 15% over the first nine months

of the year. In volume, however, Québec and Canadian exports by these industries remained sluggish. In 1987, the habitually high deficit in the Canadian trade balance for these industries continued to rise, though at a slower pace than in 1986. Aside from the leather industry, capacity utilization increased, to more than 95%, which is distinctly higher than the 85% posted for the non-durable sector as a whole.

The development outlook for the **leather, textile and clothing** industries remains uncertain. With the exception of knitting mills, the various industrial investment programs implemented in Québec during 1986 and 1987 are progressing at a far slower pace in these industries than in the manufacturing sector as a whole. This is particularly true for the leather industry which also has seen the value of its inventories rise significantly over the past two years. The gradual lifting, until October 1988, of import quotas on women's shoes will continue to force this industry to make adjustments. Bilateral quotas negotiated under the Multifibre Agreement will provide the textile and clothing industries with a more favourable environment until 1992.

The performance of the Québec **paper** industry, with an 11% rise in the value of shipments for the first nine months of 1987, surpassed that of 1986. It was not quite as good, however, as the overall performance of the Canadian industry in 1987. Growth was based on firmer domestic and external demand and was reflected notably in an increase in Canada's impressive trade surplus. The capacity utilization rate continued to climb and passed the 92% mark. Against such a backdrop of growth, the Québec paper industry accelerated its extensive capital spending program. In 1988, the paper industry's competitive position on European and Asian markets could be improved by the depreciation of the Canadian dollar on those markets. The strengthening of our currency against the U.S. dollar could represent additional costs when competing on the American market.

The Québec **printing and publishing** industry, as did the Canadian industry, posted a gain of 8% in the value of shipments during the first nine months of 1987. This growth rate, slightly down from that of 1986, reflects trends in Canada's domestic market. Little change was noted in external markets which are relatively undeveloped as yet. Capital spending projects, after a series of ups and downs in recent years, slumped to a trough in 1987. This decline in the level of investment, the successive increases in inventories in recent years, particularly in 1987, and the slight drop in the capacity utilization rate point to slower growth for this industry in 1988.

Over the first nine months of 1987, Québec's **chemical products** industry increased the value of its shipments by 8%, a performance somewhat stronger than that of the industry in Canada and comparable to that of the Québec manufacturing sector as a whole. The growth of the Québec industry in 1987 was based to a greater extent on positive domestic market trends than was the case for the Canadian industry. The level of the Canadian trade deficit remained stable. Capacity utilization rose. Capital spending growth, however, remained weak in 1987 despite an 11% drop in the value of inventories. New developments in the organic chemistry sector, particularly in pharmaceuticals because of the recently adopted law amending the Patent Act, will enable the chemical products industry to perform well in 1988.

Durable goods industries

The value of shipments by the Québec **wood** industry rose by 15% during the first nine months of 1987. This strong performance was similar to that of the Canadian industry. Bustling residential construction activity in Québec and throughout Canada, coupled with higher wood prices, spurred the industry's growth in 1987. Vigorous domestic demand softened the negative impact of the 15% tax on Canadian lumber exported to the United States. Exports by the Canadian wood industry advanced 10% over the first nine months of 1987 owing to improved competitiveness on Asian and European markets. Despite an increase in the capacity utilization rate, planned investments by this industry were down in Québec in 1987. In 1988, the performance of the wood industry will be influenced by a number of factors: the anticipated fall-off in housing starts, stiffer competition in the southern U.S. market and upcoming changes in stumpage fees that will replace Canadian taxes on lumber exports to the United States.

Québec's **furniture** industry performed well in 1987, the value of its shipments rising by almost 14% over the first nine months of the year, a stronger advance than that posted for the industry in Canada as a whole. This growth was spurred by firmer domestic demand, but also by an improved export performance for both household and office furniture. Exports accounted for over 15% of the Québec industry's total shipments. In Québec, the industry's capital spending projects for 1987 were extensive, up 33% over 1986. The vitality shown by this industry in recent years was thus maintained in 1987. Recent increases in inventory levels combined with the an-

ticipated softening of demand for consumer goods could, however, slow the growth of this Québec industry in 1988.

For the first nine months of 1987, Québec's **primary metal** industry increased the value of its shipments by 20.5%, a very satisfactory result compared with the 7.6% gain posted by the Canadian industry. This growth registered by the Québec industry is partly attributable to reasons of a technical nature: Québec's shipments had been adversely affected in 1986 by a breakdown at Sidbec's Contrecoeur plant and by a strike of over three months' duration at the Zinc Electrolytique du Canada refinery in Valleyfield. Another contributing factor in the growth of Québec's shipments in 1987 was the industry's solid performance on external markets, due in particular to the development of activities at the Bécancour aluminum plant. Over the first nine months of 1987, more than 50% of the total shipments by Québec's primary metal industry went to external markets. Capital spending growth, which had been very strong in 1984 and 1985, slackened in 1986 and 1987. Alcan's investment plans for Laterrière in 1988 will give new impetus to the industry.

The Québec **metal fabricating** industry, as did the Canadian industry, posted a 10% rise in the value of its shipments for the first nine months of 1987. This growth, distinctly stronger than that recorded in 1986, was spurred mainly by an increase in domestic demand, particularly in the residential construction sector. The capacity utilization rate continued to climb. Capital spending programs showed a moderate increase. In 1988, the industry's performance could suffer from the anticipated decline in residential construction.

Following a sluggish performance in 1986, Québec's **machinery** industry registered a 17% increase in the value of its shipments in 1987. This considerable growth, surpassing the corresponding rate for the Canadian industry, reflected firmer domestic market demand since both Québec and Canadian exports by this industry declined in 1987. Imports were up slightly. Consequently, Canada's substantial trade deficit in this sector rose somewhat. Despite the low capacity utilization rate, the Québec machinery industry boosted its capital expenditures in 1987 by 50%.

The Québec **transportation equipment** industry recorded a 16% drop in the value of its shipments in 1987. The factor chiefly responsible for this significant decline was a problem of a technical nature, namely the temporary closing of GM's Boisbriand

plant for equipment modernization purposes. At year-end, however, output and employment at the plant had rebounded to record high levels. The softening of the automobile market and the shrinking order backlog in the shipyards and rail transport equipment sectors also contributed to the industry's poorer showing in 1987. Exports slumped and capacity utilization fell. On the other hand, the value of capital expenditures rose significantly, boosted by investments by GM and Hyundai in the automobile sector and by Oerlikon in the aerospace sector. The outlook for the transportation equipment industry in 1988 is clouded by persisting sluggish demand which should not, however, affect output in Québec. A dynamic performance is expected, however, from the Québec aerospace sector, with the expansion of activities by Pratt & Whitney, Bell Helicopter and Canadair, which recently landed a new $480-million missiles contract, and with the arrival of Oerlikon on the scene.

The **electrical and electronic products** industry in Québec registered slow growth in 1987, with the value of shipments rising only 2%--a sluggish performance compared with that of 1986 and with the industry's showing in Canada in 1987. This result is chiefly attributable to a slowdown in the telecommunications equipment and electrical industrial equipment sectors. Increases in shipments were posted, however, for electrical and electronic consumer goods and for computer equipment. The market internationalization process, already well under way in the electronic products sector, continued in 1987. The capital spending program in the Québec industry showed a moderate increase, weaker than that of the industry in Canada as a whole.

Over the first nine months of 1987, Québec's **non-metallic mineral products** industry saw the value of its shipments increase by 12%, a performance comparable to that of the Canadian industry and better than the 1986 results in Québec. More vigorous demand in the domestic market, particularly in the residential construction sector, was the main contributing factor in the industry's growth. Canadian exports rose only 3% while imports increased by 12%. The capacity utilization rate continued to rise, reaching the 80% mark. The Québec industry's capital expenditures were somewhat disappointing; not only did they show no increase in value, but the tendency of capital spending in the Canadian industry to outpace that of the Québec industry was again confirmed.

PART 2 THE TRADE SECTOR

THE TRADE SECTOR
IN QUEBEC IN 1987

SUMMARY

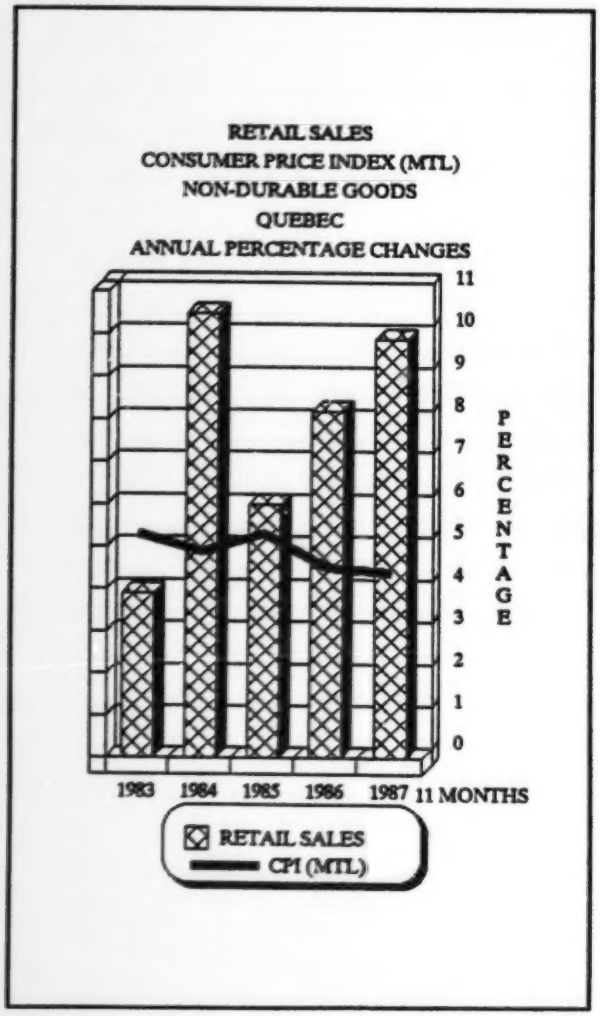
In 1987, retail sales were up 12.4%, showing a stronger performance than that of the two preceding years. Sales of durable goods, especially household appliances and new motor vehicles, grew dramatically, with their share of total retail sales continuing to increase. Sales of semi-durable goods experienced a slowdown, whereas sales of non-durable goods boasted their best performance since 1984. Service-related businesses corrected their sluggish growth of last year. Québec's performance outshone Canada's in all categories of goods. The 4.5% upswing in the Montréal consumer price index was slightly lower than that of 1986; minor increases in the energy, transportation and housing sectors counteracted larger increases in food and personal care costs. Real personal disposable income rose by less than 1%, with savings at their lowest level since 1971 and consumer credit reaching a record high.

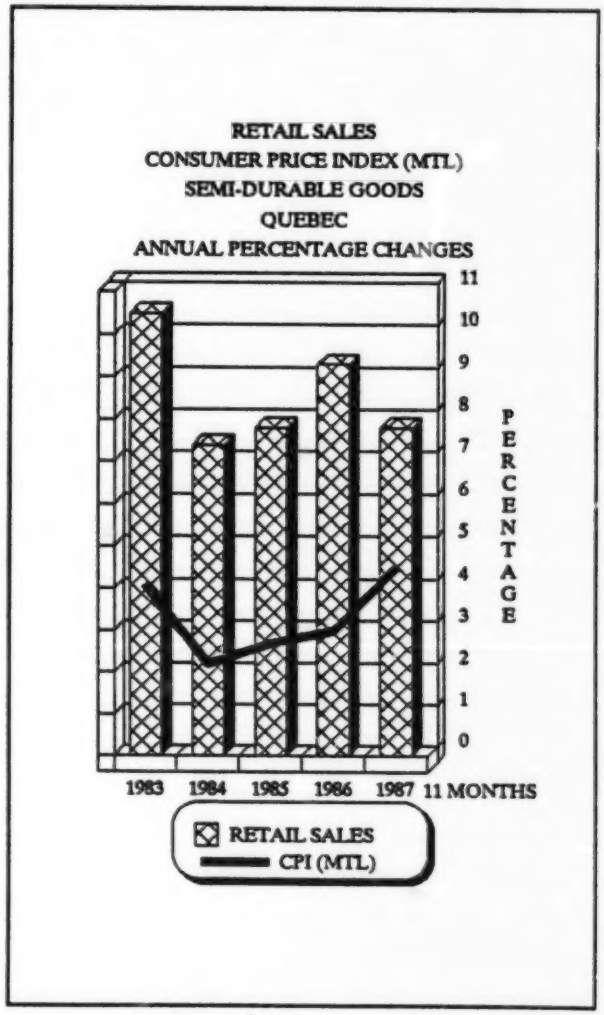
Québec wholesale sales rose approximately 10%, a pace comparable to that of their Canadian counterpart. Inventories dropped sharply, leading to a higher turnover than for sales. Employment in the trade sector increased by 1.3%, less than in 1986; retailers increased their workforce by 4.1%, whereas wholesalers reduced theirs by 6.5%. The average increase in hourly wages was 3.5%. A marked deterioration in labour relations was indicated by an upturn in the average number of work days lost per person, which made itself felt especially in the wholesale trade sector. Profits were up moderately. The number of bankruptcies remained stable, although liabilities grew by 21.5%, entirely in the retail sector. Capital spending increased more in the trade sector than in commercial services, and especially in wholesale stores and service station chains.

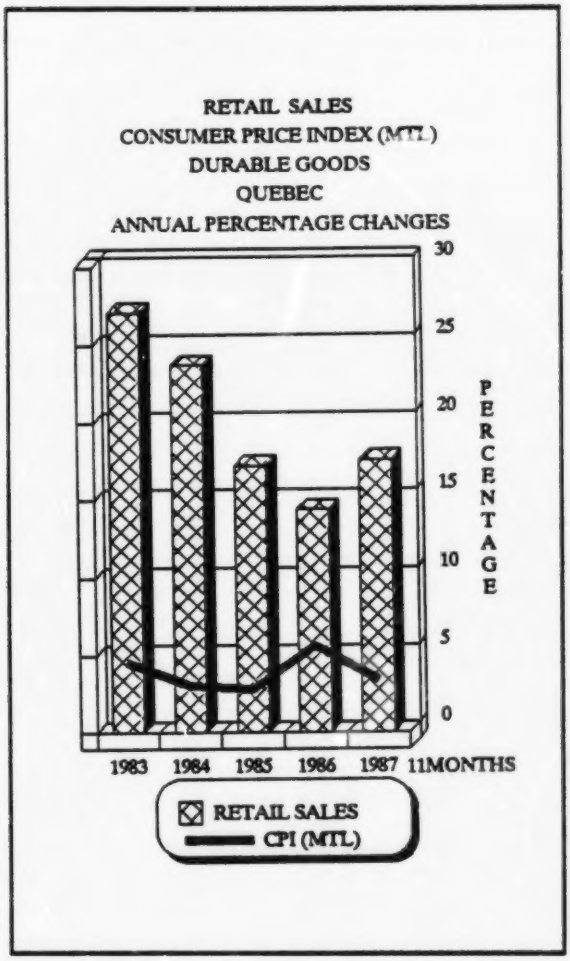
RETAIL SALES

For the first eleven months of 1987, Québec's retail sales totalled $35 065.7 million. This figure represents a 12.4% increase over the same period in 1986, a stronger performance than that of the two preceding years. In real terms, the upsurge was 7.5% compared to 3.7% in 1986. Total retail sales for the 12-month period should reach $38 885 million.

For the fifth consecutive year, the greatest increase in retail sales was recorded in the durable goods sector, with a gain of 17.6% compared to 14.4% in 1986. This was the sector's best showing since 1984. Sales of household appliances were particularly strong. Sales of new motor vehicles were most influential in bolstering the increase in durable goods, representing three-quarters of the category.







Sales of semi-durable goods grew by 7.8%, a more modest increase than in 1986 but equal to that of 1985. Significant gains reported by hardware stores and book and stationery stores were insufficient to fully offset the slowdown in department store sales and the decline in specialty shoe sales.

Sales of non-durable goods, the most stable of the four categories, rose by 9.9%, slightly more than the 8.2% growth rate of 1986. It was this sector's strongest performance since 1984. The most significant upturn in sales occurred in grocery and confectionery stores. Combination stores, whose sales represent more than half of those of all non-durable goods, posted an increase of 3.0%, compared to 3.5% for 1986.

Sales by retail firms whose activities are considered to be services increased by 9.6% in 1987. This meant a return to a healthy growth rate after 1986's poor performance, with a 4.6% drop. Garages posted a dramatic increase in sales, and the recovery in service station sales was very marked.

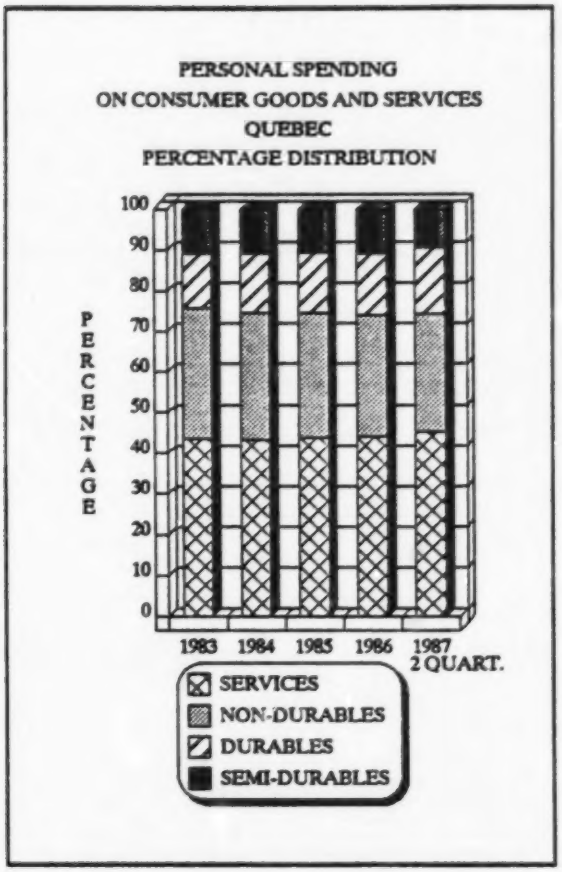
The share of durable goods in total retail sales rose from 23.6% in 1984 to 28.5% in 1987. Semi-durable goods saw their share dwindle from 21% in 1984 to 19.4% in 1987. Non-durable goods, with the largest share, declined from 33.9% to 32.0%; the services share of total retail sales also dropped, from 11.8% to 10.3%.

For the past two years, Québec's growth in retail sales has outstripped Ontario's in both durable and non-durable goods, but has lagged behind in the semi-durable goods and services sectors. In 1987, Québec's performance outshone that of Canada as a whole in all goods categories, especially durable goods. The increase

RETAIL SALES
QUEBEC
1984-1987

KIND OF BUSINESS	1984	1985	1986	1987 (11 months)	1985/1984	1986/1985	1987/1986 (11 months)
	(millions of dollars)				(percentage change)		
DURABLE GOODS	6 837.8	8 015.6	9 171.6	9 982.4	17.2	14.4	17.6
Motor vehicle dealers	4 946.7	5 981.5	6 845.9	7 636.9	20.9	14.5	19.0
Used car dealers	199.9	251.6	308.5	339.6	25.9	22.6	17.9
Automotive parts and accessories stores	577.4	578.5	619.5	608.4	0.2	7.1	11.1
Household furniture stores	611.2	526.1	521.3	556.8	-13.9	-0.9	18.1
Household appliance stores	84.4	125.0	107.0	132.0	48.1	-14.4	38.9
Furniture, TV, radio and appliance stores	268.2	397.9	590.5	563.6	48.4	48.4	5.8
Jewellery stores	150.0	155.0	178.9	145.1	3.3	15.4	7.0
SEMI-DURABLE GOODS	6 113.7	6 592.3	7 202.8	6 792.7	7.8	9.3	7.8
Department stores	2 128.7	2 273.3	2 403.0	2 091.4	6.8	5.7	2.2
General merchandise stores	291.6	289.2	299.6	310.5	-0.8	3.6	12.5
General stores	251.7	249.8	295.7	291.9	-0.8	18.4	10.1
Men's clothing stores	328.9	343.5	373.2	334.3	4.4	8.6	4.1
Women's clothing stores	645.9	732.4	808.9	765.1	13.4	10.4	7.1
Family clothing stores	575.6	658.3	712.8	672.2	14.4	8.3	8.2
Specialty shoe stores	50.7	66.0	80.0	71.3	30.2	21.2	-1.7
Family shoe stores	388.4	402.0	434.5	407.5	3.5	8.1	4.3
Hardware stores	386.5	411.6	509.0	571.6	6.5	23.7	23.6
Book and stationery stores	151.8	189.3	201.5	220.2	24.7	6.4	26.3
Sporting goods and accessories stores	488.8	525.7	596.4	593.7	7.5	13.4	10.7
Personal accessories stores	425.1	451.2	488.2	463.0	6.1	8.2	10.1
NON-DURABLE GOODS	9 841.6	10 428.5	11 283.5	11 233.7	6.0	8.2	9.9
Combination stores (groceries and meat)	5 829.3	5 980.8	6 188.5	5 822.9	2.6	3.5	3.0
Grocery, confectionery and sundries stores	1 773.8	1 944.6	2 331.1	2 696.9	9.6	19.9	27.8
All other food stores	751.3	845.9	987.2	1 014.1	12.6	16.7	14.2
Variety stores	336.4	348.5	371.9	306.7	3.6	6.7	-3.2
Pharmacies	1 054.1	1 200.3	1 282.1	1 271.9	13.9	6.8	11.0
Florists	96.7	108.4	122.7	121.2	12.1	13.2	12.7
SERVICES	3 411.6	3 777.3	3 605.3	3 619.4	10.7	-4.6	9.6
Service stations	2 795.0	3 175.5	2 992.4	2 977.4	13.6	-5.8	8.7
Garages	616.6	601.8	612.9	642.0	-2.4	1.8	13.7
ALL OTHER STORES	2 801.4	2 968.7	3 330.1	3 437.4	6.0	12.2	19.1
TOTAL RETAIL SALES	29 005.9	31 782.3	34 593.2	35 065.7	9.6	8.8	12.4

SOURCES: Statistics Canada, Cat. 63-005;
Direction de l'analyse économique et des relations internationales, MIC.



in Québec's retail sales was approximately 2 percentage points higher than Ontario's and Canada's, due mainly to a strong upswing in sales of motor vehicles, food, furniture and household appliances. Québec retail sales represented 25.5% of Canadian sales, compared to 24.0% in 1981.

THE CONSUMER PRICE INDEX

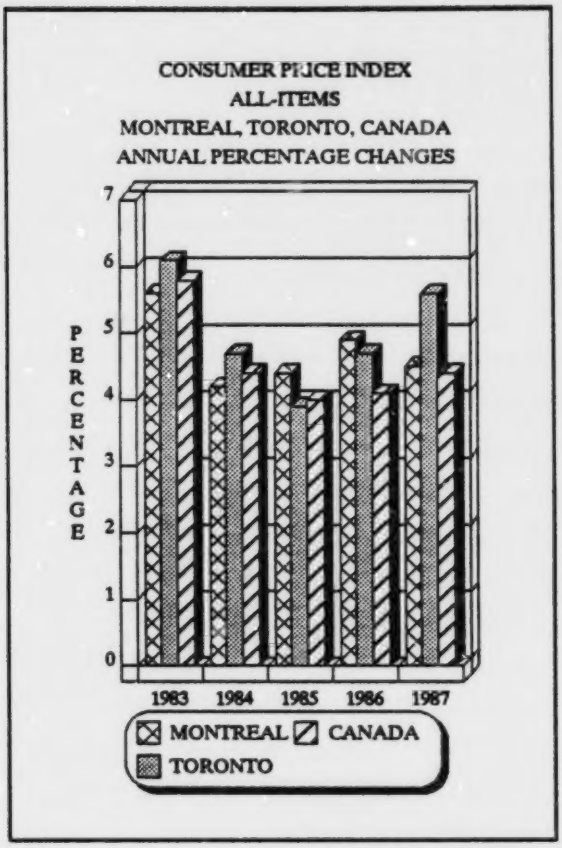
In 1987, the CPI settled at 4.5% in Montréal and 3.9% in Québec City; in 1986, both cities had posted increases of 4.9%. Of the 16 major Canadian cities, Montréal recorded the tenth lowest inflation rate and Québec City registered the seventh lowest, which was also clearly below the Canadian average. The Canadian CPI was up by 4.4% in 1987, compared to 4.2% in 1986.

The Montréal CPI was driven up to a great extent by food prices (5.2%) and health and personal care spending (5.4%). However, the slight rise in prices in the transpor-

CONSUMER PRICE INDEX
ANNUAL CHANGE
1985-1987

	Montréal			Québec		
	1985	1986	1987	1985	1986	1987
ALL-ITEMS	4.4	4.9	4.5	4.5	4.9	3.9
Food	3.6	6.7	5.2	4.3	6.9	4.4
All-items excluding food	4.6	4.4	4.3	4.6	4.4	3.7
Housing	4.0	3.1	4.3	4.0	3.3	3.0
Clothing	2.9	3.2	4.6	3.5	3.0	4.3
Transportation	4.6	3.1	3.2	3.7	2.7	3.3
Health and personal care	4.3	4.8	5.4	4.7	4.8	5.3
Recreation, reading and education	3.3	4.4	5.3	3.2	4.7	4.8
Tobacco products and alcoholic beverages	12.7	16.0	4.9	11.7	14.8	5.4
Energy	5.0	-7.8	3.6	4.2	-5.4	2.5
All-items excluding food and energy	4.5	5.9	4.3	4.6	5.6	3.8
Durable goods	2.8	5.6	3.3	3.2	4.5	3.2
Semi-durable goods	2.7	3.0	4.5	3.4	3.0	4.3
Non-durable goods	5.3	4.5	4.4	5.8	5.3	4.1
Services	4.4	5.4	4.8	4.1	5.1	3.8

SOURCES: Statistics Canada, Cat. 62-010 and CANSIM;
Direction de l'analyse économique et des relations internationales, MIC.

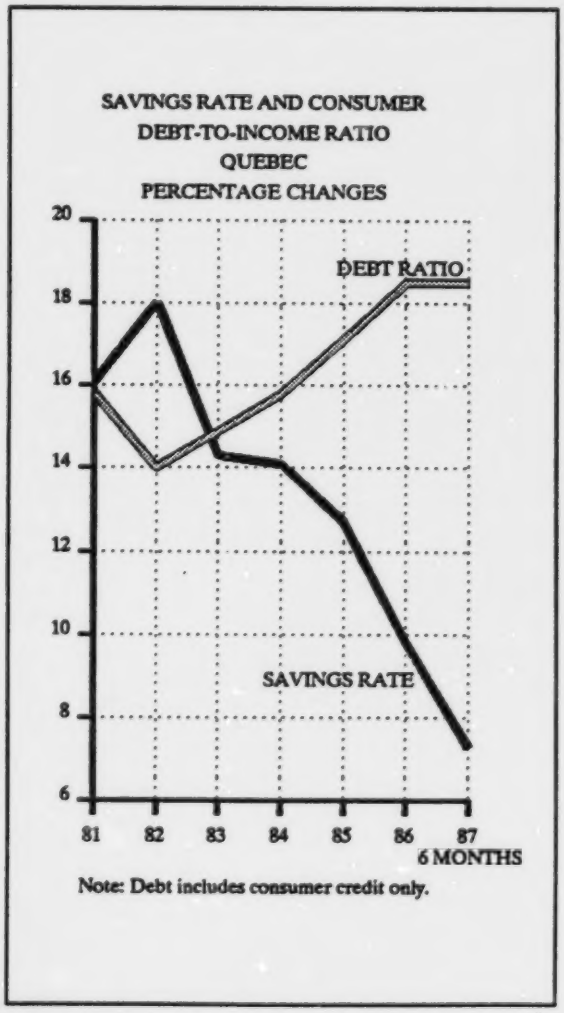


tation (3.2%), energy (3.6%) and housing (4.3%) sectors helped maintain Montréal's inflation rate below that of 1986. Price increases were approximately 3.3% for durable goods, 4.5% for semi-durable goods and 4.4% for non-durable goods. Inflationary pressure was most marked in the services sector, with an increase of 4.8%.

FINANCING OF PERSONAL CONSUMER SPENDING

The first half of 1987 saw personal disposable income up by 5.1%, compared to 4.8% in 1986. Once the increase in the CPI had been factored in, real growth was 0.5%, compared to a drop of 0.1% in 1986.

Consumer spending rose by 9.1% over the first half of 1987, a real rate of 4.5%, outstripping that of income. Quebecers dipped into their savings and turned to loans to help finance their spending. Personal savings plummeted by 28.6% in the first half of the year; they had already fallen sharply in 1986. Quebecers' savings accounted for only 7.3% of personal disposable income, compared to 9.8% in 1986 and 14.1% in 1984. Consumer credit was up by 15.4% in the first half, compared with 13.3% in 1986 and 16.5% in 1985. The gap between credit and savings levels, already broad in 1986, continued to widen. A high debt level and low savings rate went hand-in-hand with low interest rates. In March 1987, the Bank Rate hit its lowest level in 15 years; it later rose until after the October stock market crisis. The financial position of consumers grew shakier. The number of personal bankruptcies increased by 18.4% for the first three quarters of 1987. Nevertheless, consumer purchasing intentions remained high. The October stock market crash did nothing to curb this optimism. Consumers were even momentarily advantaged by the return to lower interest rates triggered by this event.



SOURCES OF FINANCING
CONSUMER SPENDING
QUEBEC
1984-1987

	1984	1985	1986	1987 (6 months)	1985/1984	1986/1985	1987/1986 (6 months)
	(millions of dollars)				(percentage change)		
PERSONAL DISPOSABLE INCOME	71 526	76 953	80 634	41 408	7.6	4.8	5.1
CONSUMER CREDIT	11 299	13 162	14 911	15 342 (1)	16.5	13.3	15.4
PERSONAL SAVINGS	10 064	9 811	7 869	3 030	-2.5	-19.8	-28.6

(1) Annualized half-yearly data.
SOURCES: Bureau de la Statistique du Québec, Comptes Economiques du Québec;
Direction de l'analyse économique et des relations internationales, MIC.

PERSONAL CONSUMER SPENDING
QUEBEC
1984-1987

	1984	1985	1986	1987 (6 months)	1985/1984	1986/1985	1987/1986 (6 months)
	(millions of dollars)				(percentage change)		
Personal spending on consumer goods and services	60 607	66 138	71 674	37 788	9.1	8.4	9.1
GOODS	34 332	37 214	40 001	20 654	8.4	7.5	8.4
- Durable goods	8 864	9 918	10 935	6 107	11.9	10.3	14.6
- Semi-durable goods	6 463	6 931	7 695	3 600	7.2	11.0	9.2
- Non-durable goods	19 005	20 365	21 371	10 947	7.2	4.9	4.9
SERVICES	26 275	28 924	31 673	17 134	10.1	9.5	10.0

SOURCES: Bureau de la Statistique du Québec, Comptes Economiques du Québec;
Direction de l'analyse économique et des relations internationales, MIC.

LEADING INDICATORS
CONSUMER SPENDING
QUEBEC
1984-1987

		UNIT	1984	1985	1986	1987	1985/1984	1986/1985	1987/1986
							(percentage change)		
Savings rate		%	14.1	12.7	9.8	7.3 (1)	---	---	---
Housing starts		Number	41 902	48 031	60 348	54 850 (2)	14.6	25.6	24.7
Personal bankruptcies		Number	6 269	5 684	6 497	6 413 (3)	-9.3	14.3	18.4
- Liabilities		$'000	231 880	218 371	225 087	n.a.	-5.8	3.1	--
Index of consumer purchasing intentions	I	1961=100	123.63	109.37	110.88	149.07	-11.5	1.4	34.4 (4)
	II		118.16	95.97	141.57	156.44	-18.8	47.5	10.5
	III		106.28	125.17	129.05	148.53	17.8	3.1	15.1
	IV		106.90	113.37	135.71	n.a.	6.1	19.7	n.a.
Bank Rate	I	%	10.76	11.18	10.44	7.14	---	---	---
	II		11.98	9.57	8.84	8.59	---	---	---
	III		12.28	9.31	8.63	9.57	---	---	---
	IV		10.16	9.49	8.49	8.70 (5)	---	---	---

n.a.: not available.
(1) 6 months. (2) 9 months. (3) 10 months.
(4) Change compared to the same quarter of the preceding year.
(5) Rate for the first week of December.

SOURCES: Bureau de la Statistique du Québec; Statistics Canada; CHMC;
Bank of Canada Review; Consumer and Corporate Affairs Canada;
Direction de l'analyse économique et des relations internationales, MIC.

WHOLESALE TRADE

For the first three quarters of 1987, Québec wholesale merchants' sales rose by 10.3% compared to the corresponding period for 1986. For Québec, as for the country as a whole, this figure represents an increase of nearly 2% over performances recorded in 1986. The 13.4% increase in Canadian wholesale sales resulted chiefly from the other machinery, equipment and supplies sector and the lumber and building materials sector. Sales slumped only in the farm machinery, equipment and supplies sector.

SALES AND STOCKS (P)
WHOLESALE TRADE
QUEBEC, ONTARIO, CANADA
1985-1987

		1985/1984	1986/1985	1987/1986 (9 months)
		(percentage change)		
QUEBEC	- Total sales	9.3	8.4	10.3
	- Stocks	5.8	11.0	8.8
	- Stocks/sales	1.82	1.62	1.25
ONTARIO	- Total sales	14.2	16.4	15.2
	- Stocks	7.5	9.7	3.2
	- Stocks/sales	1.82	1.60	1.31
CANADA	- Total sales	12.3	11.5	13.4
	- Stocks	3.8	7.2	3.2
	- Stocks/sales	1.91	1.60	1.31
	- Sales by major trade groups:			
	- Food	7.6	2.3	12.3
	- Tobacco, drugs and toilet preparations	17.3	9.3	6.2
	- Apparel, dry goods, furniture and general merchandise	8.0	11.4	13.4
	- Motor vehicles and accessories	21.1	14.6	7.0
	- Farm machinery, equipment and supplies	15.1	18.1	-3.4
	- Other machinery, equipment and supplies (1)	16.7	14.9	23.1
	- Metal, hardware, plumbing and heating equipment	16.6	5.3	13.2
	- Lumber and building materials	3.2	24.7	15.7
	- Other wholesalers (2)	7.7	9.5	11.3

(1) Includes: Electrical machinery, equipment and supplies, n.e.s.
(2) Includes: Farm products (excluding grain); paper and paper products; scrap and waste materials; wholesalers, n.e.s.
(P) Preliminary cumulated data.

SOURCES: Statistics Canada, Cat. 63-008, for 1985 and 1986, Cat. 11-001 for 1987.

Québec wholesalers' inventory levels grew more slowly than they did in 1986. For the first three quarters of 1987, they rose by 8.8% compared to 11.0% in 1986. In Ontario, the slowdown was even more pronounced; after nine months, inventories had increased by 3.2% compared to 9.7% in 1986. This trend was reflected across the country. For the corresponding period, Canadian inventories were up by 3.2%, compared to 7.2% in 1986.

Québec's 1987 inventory/sales ratio was only 1.25:1 compared to 1.62:1 in 1986. Ontario and Canada reported a ratio of 1.31:1, compared to 1.60:1 one year earlier. The growth of this indicator shows a trend to faster inventory turnover.

LABOUR

Growth in employment and average weekly earnings in the trade sector slowed in 1987. Labour relations proved to be more arduous.

Employment

Employment in the trade sector was up by 1.3% in 1987, paling beside the 1986 gain of 4.8%. Sector employment grew less rapidly in 1987 than the 3.5% recorded for total employment in Québec. The 6 600 jobs added in the trade sector represented 6.6% of all new jobs created in Québec over this period. Ontario's trade sector boosted its employment level by 23 900 jobs, which represented 15.8% of all new jobs created in the province.

Jobs in the wholesale trade sector were down by 6.5% in 1987, whereas 1986 had seen an 8.8% increase. The decline was especially pronounced among women, 12.6%, compared to 4.4% for men. In the retail trade sector, employment rose by 4.1%, for a gain of 19 400 new jobs. This increase was higher than that of 1986. Part-time jobs held by men fell 15.4%, while jobs held by women increased considerably with full-time jobs up 12.1% and part-time jobs up 13.4%.

Wages

Average overall weekly earnings of trade sector employees rose 2.7% over the first three quarters of 1987 compared to the corresponding period of 1986. This increase in wages was greater in retail trade than in the wholesale trade sector, with 2.2% and 1.3% respectively. Compared to 1986, growth rates slumped, particularly in wholesale trade.

Hourly earnings of employees paid by the hour--the majority of employees in this sector--increased by 3.5% for the trade sector as a whole, by 3.7% in retail trade and by 1.0% in wholesale trade.

EMPLOYMENT - TRADE SECTOR
QUEBEC
1984-1987

	1984	1985	1986	1987	1985/1984	1986/1985	1987/1986
	(thousands)				(percentage)		
WHOLESALE TRADE							
EMPLOYMENT							
Total	113.7	127.8	139.0	130.0	12.4	8.8	-6.5
Men	83.4	94.8	104.3	99.7	13.7	10.0	-4.4
Women	30.2	33.0	34.8	30.4	9.3	5.5	-12.6
FULL-TIME EMPLOYMENT							
Total	106.2	118.8	130.8	122.1	11.9	10.1	-6.7
Men	80.4	91.5	101.2	96.1	13.8	10.6	-5.0
Women	25.8	27.3	29.6	26.0	5.8	8.4	-12.2
PART-TIME EMPLOYMENT							
Total	7.4	9.1	8.2	8.3	23.0	-9.9	1.2
Men	2.9	3.3	3.2	3.8	13.8	-3.0	18.7
Women	4.5	5.8	5.0	4.4	28.9	-13.8	-12.0
RETAIL TRADE							
EMPLOYMENT							
Total	366.6	363.4	375.9	391.3	-0.9	3.4	4.1
Men	204.5	200.3	215.7	210.8	-2.1	7.7	-2.3
Women	161.9	163.2	160.3	180.6	0.8	-1.8	12.7
FULL-TIME EMPLOYMENT							
Total	275.7	275.8	287.8	300.6	0.0	4.4	4.4
Men	172.2	170.0	183.3	183.3	-1.3	7.8	0.0
Women	103.5	105.8	104.6	117.3	2.2	-1.1	12.1
PART-TIME EMPLOYMENT							
Total	90.8	87.5	88.2	90.7	-3.6	0.8	2.8
Men	32.5	30.2	32.4	27.4	-7.1	7.3	-15.4
Women	58.3	57.3	55.8	63.3	-1.7	-2.6	13.4
TRADE SECTOR AS A WHOLE							
EMPLOYMENT							
Total	480.3	491.3	514.9	521.5	2.3	4.8	1.3
Men	288.2	294.8	320.1	310.6	2.3	8.6	-3.0
Women	192.0	196.2	194.9	211.0	2.2	-0.7	8.3
FULL-TIME EMPLOYMENT							
Total	381.9	394.5	418.7	422.5	3.3	6.1	0.9
Men	252.6	261.8	284.4	279.3	3.6	8.6	-1.8
Women	129.2	133.0	134.3	143.3	2.9	1.0	6.7
PART-TIME EMPLOYMENT							
Total	98.5	96.8	96.2	98.9	-1.7	-0.6	2.8
Men	35.5	33.3	35.7	31.4	-6.2	7.2	-12.0
Women	63.0	63.3	60.6	67.6	0.5	-4.3	11.6

SOURCES: Statistics Canada, Cat. 71-001 and special compilation;
Direction de l'analyse économique et des relations internationales,MIC.

AVERAGE EARNINGS IN THE TRADE SECTOR
QUEBEC
1984-1987

	1984	1985	1986	1987 (9 months)	1985/1984	1986/1985	1987/1986 (9 months)
	(dollars)				(percentage change)		
AVERAGE WEEKLY EARNINGS (1)							
Wholesale trade	384.85	408.34	427.48	432.48	6.1	4.7	1.3
Retail trade	245.16	254.27	263.92	269.55	3.7	3.8	2.2
TOTAL	283.57	298.09	308.51	317.06	5.1	3.5	2.7
AVERAGE HOURLY EARNINGS (2)							
Wholesale trade	8.53	8.88	9.13	9.20	4.1	2.8	1.0
Retail trade	7.09	7.27	7.54	7.78	2.5	3.7	3.7
TOTAL	7.38	7.59	7.85	8.09	2.8	3.4	3.5

(1) For all employees, including overtime.
(2) For employees paid by the hour, including overtime.
N.B. For each of the years prior to 1987, the data for the various industries and for the totals have been corrected using Statistics Canada's adjustment factors.

SOURCES: Statistics Canada, Cat. 72-002; SIC,1970; Direction de l'analyse économique et des relations internationales,MIC.

Labour relations

The collective labour agreements of 19 100 workers in Québec's trade sector came up for renewal in 1987. Of this number, 4 700 workers went on strike. Nearly 700 were still on strike in early November 1987. Agreements covering nearly 6 700 workers were due to expire in November and December.

During the first ten months of 1987, 195 767 person-days were lost due to strikes or lock-outs, a 74.9% rise over the same period in 1986. Person-days lost in the trade sector accounted for 14.7% of the total for all sectors of activity in Québec, compared to 5.6% for the corresponding period in 1986. The number of persons involved was 20.1% higher, and the average number of days lost per person rose from 28.5 for the first ten months of 1986 to 41.5 in 1987.

In the retail trade sector, nearly 80% of the collective agreements that expired during the first ten months of 1987 were renewed without any work stoppages. The year

nonetheless witnessed 40 labour disputes in this sector, with ten still under way late in 1987. Person-days lost totalled 172 573 for the first ten months of 1987, up by 59.1% over the corresponding period in 1986. The number of persons involved increased by 14.8%, to 4 154. A hefty increase was posted in the average number of days lost per person—41.5 days compared to 30.0 for the corresponding period in 1986. Person-days lost in the retail trade sector accounted for 13.0% of the Québec total and for less than 0.2% of the estimated working days in the sector.

In the wholesale trade sector, 102 collective agreements came up for renewal during the first ten months of 1987. Only nine resulted in labour disputes. Some 91.2% of agreements were renewed in a climate of mutually satisfactory bargaining by the parties. Those disputes that did occur, however, were more costly than in the past. In the first ten months of 1987, the number of person-days lost rose by 567.1% and totalled 23 194. The number of persons involved also rose, by 83%, to a total of 558 employees. The average number of days lost per person increased from 11.4 over the first ten months of 1986 to 41.6 for the corresponding period in 1987.

In 1988, at least 366 collective agreements will expire. They involve 22 360 employees, or 17.1% more than in 1987.

LABOUR DISPUTES, TRADE SECTOR
QUEBEC
9 MONTHS, 1987

	Number of employees	Person-days lost	
		Number	% of estimated working days (1)
Wholesale trade	132 700	20 598	0.1
Retail trade	322 000	147 531	0.2
Trade sector as a whole	454 700	168 129	0.2

NOTE: The estimated number of working days for the first 9 months of 1987 is 191 days.

PERSON-DAYS LOST IN WORK STOPPAGES
AND NUMBER OF WORKERS INVOLVED
TRADE SECTOR
QUEBEC
1984-1987

	1984	1985	1986	1987 (10 months)	1985/1984	1986/1985	1987/1986 (10 months)
	(number)				(percentage change)		
Wholesale trade							
Person-days lost	9 160	14 975	3 477	23 194	63.5	-76.8	567.1
Workers involved	246	993	305	558	303.7	-69.3	83.0
Days per worker	37.2	15.1	11.4	41.6			
Retail trade							
Person-days lost	80 492	161 031	120 754	172 573	100.1	-25.0	59.1
Workers involved	2 528	15 101	4 035	4 154	497.3	-73.3	14.8
Days per worker	31.8	10.7	29.9	41.5			
Trade sector as a whole							
Person-days lost	89 652	176 006	124 231	195 767	96.3	-29.4	74.9
Workers involved	2 774	16 094	4 340	4 712	480.2	-73.0	20.1
Days per worker	32.3	10.9	28.6	41.5			

SOURCES: Travail Québec,"Grèves et lock-out au Québec";
Direction de l'analyse économique et des relations internationales,MIC.

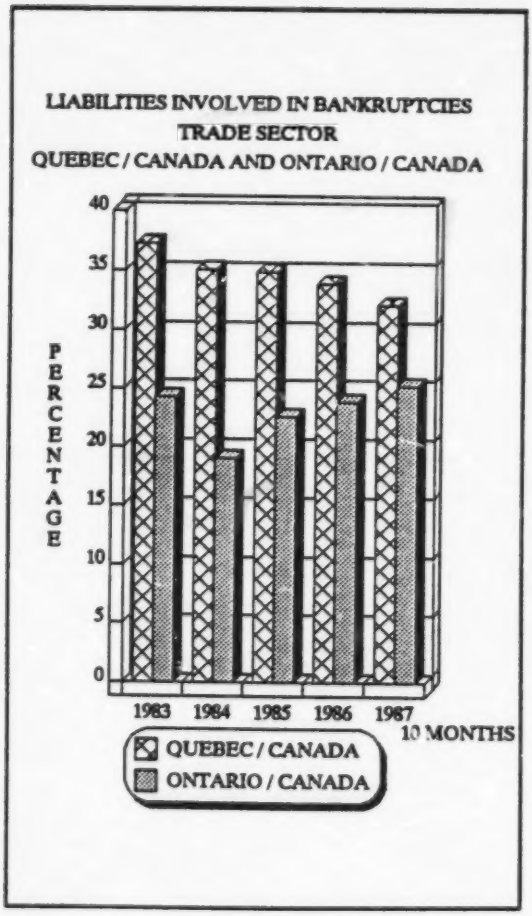
PROFITS AND BANKRUPTCIES

Profits rose by 5.1%. The bankruptcy situation improved in Ontario and in Canada, but deteriorated somewhat in Québec.

Profits

Earnings in the Canadian trade sector increased by 5.1% in the first nine months of 1987 compared to the same period in 1986, continuing the upward trend in annual earnings begun in 1983.

Wholesale trade earnings climbed 5.6% in the first nine months of 1987. However, motor vehicle wholesalers' earnings dropped drastically. In the retail trade sector, earnings were up 4.6%; food stores nonetheless managed to secure 9% growth. Québec's performance was comparable to Canada's.



Bankruptcies

For the first ten months of 1987, the number of business bankruptcies in Québec for the first ten months of 1987 edged up 0.2% compared to the same period in 1986; Canada and Ontario posted decreases.

The liabilities involved in bankruptcies grew by 21.5% in 1987 (ten months). This growth contrasts with earlier successive annual decreases since 1983. The increase experienced in Québec was greater than the increases in Ontario and Canada and is mainly attributable to the retail trade sector, where liabilities soared by 35.8%, compared to 13.7% for Canada. In the wholesale trade sector, on the other hand, liabilities involved in bankruptcies fell by

6.2% in Québec, whereas they rose by 14.4% in Canada.

The average amount of liabilities in Québec's wholesale trade sector grew to $275 173 in 1987 compared to $214 853 in 1986 (ten months). A similar development occurred in the retail trade sector; the average amount of liabilities rose from $86 626 to $110 720. The same trends were observed in the Canadian wholesale trade and retail trade sectors, and in the trade sector as a whole.

BUSINESS BANKRUPTCIES IN THE TRADE SECTOR
QUEBEC - ONTARIO - CANADA
1984-1987

	1984	1985	1986	1987 (10 months)	1985/1984	1986/1985	1987/1986 (10 months)
NUMBER							
- Québec	1 093	1 021	1 000	826	-6.6	-2.1	0.2
- Wholesale	152	133	167	104	-12.5	25.6	-26.8
- Retail	941	888	833	722	-5.6	-6.2	5.9
- Ontario	687	578	550	436	-15.9	-4.8	-10.1
- Canada	2 669	2 430	2 418	1 907	-9.0	-0.5	-6.3
- Qué./Can. %	41.0	42.0	41.4	43.3			
- Ont./Can. %	25.7	23.8	22.7	22.9			
LIABILITIES ($'000)							
- Québec	165 972	129 040	125 658	108 558	-22.3	-2.6	21.5
- Wholesale	62 596	42 687	42 005	28 618	-31.8	-1.6	-6.2
- Retail	103 376	86 354	83 653	79 940	-16.5	-3.1	35.8
- Ontario	89 916	83 681	88 455	85 203	-6.9	5.7	16.1
- Canada	473 354	369 623	370 399	337 154	-21.9	0.2	13.9
- Qué./Can. %	35.1	34.9	33.9	32.2			
- Ont./Can. %	19.0	22.6	23.9	25.3			

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, "Insolvency Bulletin"; Direction de l'analyse économique et des relations internationales, MIC.

INVESTMENT

Investment, the total of repair and capital expenditures, in the trade and commercial services sectors, came to $2 858.1 million in 1987. This amount represented a 12% hike over 1986.

Repair expenditures totalled $327.8 million, only 6.3% higher than 1986; equipment repairs rose to $236.6 million while building repairs fell to $91.2 million.

Capital spending in Québec's trade and commercial services sectors reached $2530.3 million in 1987, a 12.8% increase over 1986. The breakdown was $509.2 million in the trade sector, up 20.8% over 1986, and $2 021.1 million in the commercial services sector, a 10.9% increase. For both sectors, construction expenditures rose

CAPITAL SPENDING
TRADE AND COMMERCIAL SERVICES
QUEBEC
1984-1987

	1984	1985	1986*	1987**	1985/84	1986/85	1987/86
	(millions of dollars)				(percentage change)		
Trade - Total	408.7	415.4	421.4	509.2	1.6	1.4	20.8
Wholesale stores	141.8	160.4	153.6	206.7	13.1	-4.2	34.6
Department stores	15.8	15.4	32.6	39.1	-2.5	111.7	19.9
Service station chains	75.5	64.9	55.1	76.1	-14.0	-15.1	38.1
Motor vehicle dealers	26.6	37.2	34.5	34.3	39.8	-7.3	-0.6
Combination food stores	24.3	26.4	12.6	11.0	8.6	-52.3	-12.7
Other chain stores	55.3	45.2	56.8	66.9	-18.3	25.7	17.8
Other independent stores	43.1	38.5	49.8	45.8	-10.7	29.4	-8.0
Capital items charged to operating expenses	26.3	27.4	26.4	29.3	4.2	-3.6	11.0
Commercial services - Total	1 148.3	1 519.6	1 822.2	2 021.1	32.3	19.9	10.9
Laundries and dry cleaners	3.7	4.3	4.8	2.6	16.2	11.6	-45.8
Motion picture theatres	2.7	6.4	9.0	8.2	137.0	40.6	-8.9
Hotels	51.2	103.5	84.0	92.8	102.1	-18.8	10.5
Other commercial services	1 090.7	1 405.4	1 724.4	1 917.5	28.9	22.7	11.2
TOTAL, Trade and commercial services	1 557.0	1 935.0	2 243.6	2 530.3	24.3	15.9	12.8

* Preliminary. ** Estimates revised at mid-year.

SOURCES: Statistics Canada; Direction de l'analyse économique et des relations internationales,MIC.

by 17.0% to $486.9 million, and spending for machinery and equipment was up 11.8%, reaching $2 043.4 million.

Merchants significantly increased their capital spending in wholesale stores and service station chains. However, for the second consecutive year, capital spending dropped back in the food stores and motor vehicle dealers sectors. Spending on construction of new buildings and extensions was up by 42.2%; the greatest increases were posted by the wholesale stores and other chain stores sectors. Equipment purchases rose by 12.2%.

Capital spending in commercial services nosedived in 1987 in laundries and motion picture theatres. It was stepped up, however, in the other service sectors, where it accounted for 94.0% of total expenditures. Construction spending in this category was up 6.6% and equipment purchases, particularly by hotels, rose too, by 11.7%.

OUTLOOK FOR 1988

OUTLOOK FOR 1988

According to OECD forecasts, the GNP of the **OECD** countries is expected to grow by 2.25% in 1988. Growth should significantly outdistance this average in Japan, but be much lower in Europe. A slowdown in the growth of employment is anticipated. The unemployment rate could edge up slightly in most member countries. Labour productivity should increase by 1.25% on the average. International disequilibriums in current account balances are expected to remain significant although the American dollar's slide will help lessen them. International competition will continue to adjust, following movements in the exchange rates, still experiencing pressure. Industrial raw materials prices are expected to gain another 1 to 2%. Average prices for basic non-petroleum products should drop by 2%, while oil prices could fall well below $18 a barrel.

The **United States** will not experience a recession in 1988; economic growth is expected to continue at a rate similar to that of 1987. Despite the fact that Congress and the Administration have agreed on the U.S. budget, any serious efforts to reduce the American budgetary deficit will be postponed until 1989. Year-end reductions in European interest rates and the announcement of tax incentives by West Germany will give the United States the margin necessary for adopting a policy of propping up the dollar without risking a recession in 1988. The Federal Reserve will pursue an expansionist policy without fueling inflationary fears. Dependence on foreign capital combined with the dollar's weakness, however, will prevent interest rates from dropping. Increased import prices will gradually affect domestic costs. American unions will emphasize job security rather than wage increases. The low level of the dollar will continue to give American manufacturers a competitive edge on domestic and foreign markets; a recovery in their net exports will help reduce protectionist pressure. The much-feared recession should be held at bay for several months. Real GDP growth is expected to decline only slightly, settling at 2.5% in 1988, compared to 2.75% in 1987.

Canada's real GDP should be up by 2.75% in 1988, stripping the country of its top ranking among the world's seven major industrialized countries in terms of growth; its growth rate would, nevertheless, remain above the average for the 24 OECD member countries. Growth will falter in the first half of 1988 before picking up somewhat in the second half. A decidedly more moderate increase in consumer spending and

OUTLOOK FOR 1988: OECD FORECASTS

	Real GDP	Employment	Inflation (1)	Unemployment rate
		(percentage change)		
Canada	2.75	2.25	4.0	8.75
United States	2.5	1.75	4.0	6.0
Japan	3.5	0.75	1.75	3.0
West Germany	1.5	0.25	1.75	8.25
France	1.5	-0.25	2.75	10.75
United Kingdom	2.75	1.0	4.5	10.25
Italy	2.0	0.25	4.75	11.25
OECD - Total	2.25	1.0	3.75	8.0

(1) Private consumption deflators.

SOURCE: OECD, December 1987.

reduced activity in residential construction are expected to be the main causes of the slowdown. The unemployment rate should remain stable at 8.75%, but the outlook for jobs for young people will have improved sufficiently to reduce their unemployment rate slightly. Labour costs should level off, enabling Canada to bring its inflation rate back in line with that of its main competitors. The slowdown in economic activity should reduce demand for imports and thereby offset the rather lacklustre performance of exports. The trade balance surplus could increase and, along with the pressure of higher raw materials prices, help maintain the strength of the Canadian dollar. Corporate investments are expected to continue at the same pace in 1988 and capital spending should increase by 8%. Regional disparities in growth should lessen.

Several agencies have published 1988 forecasts for **Québec.** The latest estimates by the Caisse de dépôts et placements du Québec indicate that in 1988 the Québec economy should post a 3.0% increase in its real GDP, a rate lower than that of 1987 but higher than the average forecast for the 24 OECD countries and slightly above the rate anticipated for Canada. Of the seven major OECD countries, only Japan is expected to outstrip Québec in terms of growth in 1988.

ECONOMIC FORECASTS
QUEBEC, 1988
(percentage change)

	Bank of Commerce Oct. 87	Caisse de dépôt Dec. 87	Conference Board Nov. 87	National Bank Nov. 87
Real GDP	3.6	3.0	2.6	2.0
Employment	3.0	2.0	2.4	1.3

Gouvernement du Quebec
Ministère de l'Industrie
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